FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,327 Tuesday May 22 1984 D 8523 B

Basque co-operative proves unorthodox survivor, Page 19

NEWS SUMMARY

GENERAL

Belgium expels Soviet agents

Belgium said that two Soviet agents arrested over the weekend would be expelled.

The Government is considering the position of a Soviet diplomat, said Justice Minister Jean Gol.

The two did not have diplomatic immunity, but their protected status meant they could not be prosecuted in Belgium. Their expulsion means that six Soviet agents have been expelled within a year.

New riots in India

New Hindu-Moslem riots broke out in India, around Bombay, and army reinforcements were rushed in. Premier Mrs Indira Gandhi visited the area by helicopter. The death toll is now 105. Page 5

Backing for Craxi

Premier Bettino Craxi's Government won its second vote of confidence in three days in the Italian parliament, over the decree cutting wage indexation payments. Page 2

French left boost

The Communist mayor of Thionville, in France's troubled eastern steel region was re-elected, giving a boost to the left. His party had fared badly in recent municipal polls. Page 2

El Salvador accused

Amnesty International, the London-based human rights organisation, has accused El Salvador forces of the wholesale murder of civilians.

Intellectuals at risk

Ankara martial law authorities launched legal proceedings against 1,256 Turkish academics, lawyers, doctors, actors and intellectuals who had petitioned President Kenan Evren for more political liberalisation, and an end to torture and the death penalty. Each is to be questioned.

Ariane's trade trip

Arianespace, set up to exploit the space rocket Ariane commercially, takes over from the European Space agency for Ariane's ninth launch, from French Guiana today. Spacelab feature, Page 4

Hong Kong arrests

Hong Kong police arrested three Chinese and two Europeans, all unnamed, in connection with the failed property and shipping group Carrian Investments.

Big drugs hauls

Tokyo police arrested five people and seized 43kg (95lb) of amphetamines worth $37m, smuggled from Taiwan. West German police seized 47kg of cocaine on a Colombian ship calling at Hamburg, and arrested seven Colombians.

Vietnamese mistake

About 500 Vietnamese marines were mistakenly attacked by other Vietnamese forces in Kampuchea and suffered heavy casualties, said a Vietnamese guerrilla group.

Border tunnel found

Israeli forces found a 80 metre tunnel running into Egypt from the desert border town of Rafah. It was believed to have been made by smugglers.

Top marriage guide

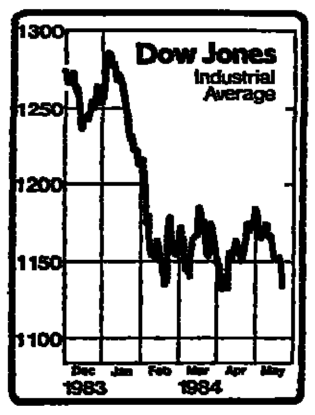
The publishers of Burke's Peerage, the reference book on the British nobility, plan to sell a marriage guide listing Britain's wealthiest and most eligible young people.

BUSINESS

World airline profits 'too little'

WORLD AIRLINES, which had made a forecast of a $750m loss this year, now expect to earn $250m after interest. But International Air Transport Association director Knut Hammarskjold says this is too small to meet investment requirements. Page 20

WALL STREET: Dow Jones Industrial Average was 7.44 down at 1,126.35 at 3pm, on 1,130.85. Report, Page 31.



DOLLAR eased on the day, to DM 2.757 (from Friday's DM 2.7735), FFr 8.475 (FFr 8.5135), SwFr 2.271 (SwFr 2.2795) and Y233.05 (Y233.25). Its Bank of England trade-weighted index fell from 132 to 131.7. In New York it was DM 2.7585, FFr 8.48, SwFr 2.2775, Y233.75. Page 41

STERLING closed 45 points up at $1.3915 and was up at Y324.5 (Y323.75), but eased to DM 3.84 (DM 3.85), FFr 11.70 (FFr 11.805) and SwFr 3.1025 (SwFr 3.165). Its trade weighting was 80.5 (80.4). In New York it was $1.395. Page 41

GOLD rose $3.25 an ounce in London, to $378.75. In Frankfurt it went up $3 to $380.5, and in Zurich it rose $5.75 to $380.5. Page 40. The FT Gold shares index rose 24.6 to 662.4 the Comex gold settlement for May was $379.10.

LONDON: FT Industrial Ordinary index edged up by 1.8 to 876.2. Some government securities were marginally up. Report, Page 35. FT Share Information Service, Pages 36, 37

TOKYO: Nikkei Dow index fell 65.23 to 10,164.97. Stock Exchange index was 5.71 down at 798.48. Report, Page 31, Leading prices, other exchanges, Page 34

COCOA and COFFEE moved up sharply in London, with July cocoa £61.50 up at £2,074.50 ($2,886.70) a tonne, and July coffee £33.50 up at £2,507 ($3,488.5). Page 40

AKZO, the Dutch chemicals and fibres group, reported first-quarter earnings 350 per cent up at Fl 200m ($64m). Page 21

IOR, the Vatican bank, initialled the $406m settlement of its involvement in the affair of the failed Banco Ambrosiano, and formal signing will take place later this week. Page 21

CITIBANK has bought Mercantile Bank from Hongkong and Shanghai Banking for HK$145m ($18.5m).

AUSTRALIA and New Zealand Banking group reported net earnings 36 per cent up at A$136m ($122m).

We regret that full Wall Street stock price lists were not available for this edition because of a computer failure in New York. A reduced listing appears on Page 34

The editorial content of today's international edition has been restricted because of industrial action by IG Druck und Papier, the West German print union, at Frankfurter Societäts-Druckerei, where the edition is printed. That prevents the publication of late-breaking news, the final Wall Street report and closing U.S. share prices.

BORROWING 'TO BE DEARER IN SHORT TERM'

Baldrige predicts fall in rates as U.S. growth slows

BY PHILIP STEPHENS IN LONDON

U.S. INTEREST rates may rise by a further ½ to 1 percentage point over the short-term but should then begin to fall back as growth in the U.S. economy slows, Mr Malcolm Baldrige, U.S. Commerce Secretary, said yesterday.

Mr Baldrige predicted, however, that the U.S. Federal Reserve's policymaking Open Market Committee would decide against tightening credit at its meeting in Washington today.

The Commerce Secretary, speaking to journalists in London, said that the pace of expansion of the U.S. economy would slow to an annual 5 per cent in the second quarter of this year, and then to about 4 per cent in the last six months of the year.

That would allow the Federal Reserve's implied target of 10 per cent nominal growth in the economy this year – split fairly evenly between increased output and inflation – to be met without tighter credit.

"I have been wrong before about the Fed, but I guess they won't tighten," Mr Baldrige said.

M Jacques de Larosiere, managing director of the International Monetary Fund (IMF), sees little chance of new initiatives being launched to ease the debt service burden of countries in the developing world. Page 20

The 8.8 per cent annual growth of the economy in the first quarter of 1984, which had prompted fears of "over-heating," had been fuelled largely by a rapid build-up of inventories, which would not be repeated.

Retail sales showed a much more moderate growth pattern, which implied that consumer and industrial borrowing would moderate, while fears of an inflationary surge were unfounded, he added.

U.S. banks raised their prime lending rates to 12½ per cent earlier this month, prompting a new wave of criticism of U.S. economic policy from indebted developing countries and many industrialised nations.

Mr Baldrige acknowledged that the Washington Administration faced further criticism over its budget deficit and loan rates at next month's seven-nation economic summit in London. But he rejected arguments that these factors were the main cause of low growth in Europe.

He also dismissed forecasts that the dollar faced a major crash on foreign exchange markets, predicting instead that it would decline gradually to between 10 and 20 per cent below its present value by the end of 1985.

The Commerce Secretary, turning to broader international issues, said that members of the Organisation for Economic Co-operation and Development had agreed in principle to a new round of trade liberalisation talks.

But while the U.S. wanted to press ahead quickly with the negotiations, several European nations were reluctant to set any firm date.

Stewart Fleming in Washington adds: Mr Baldrige and Mr Donald Regan, the U.S. Treasury Secretary, made it clear yesterday that they did not want to see the Federal Reserve tightening its monetary policy.

W. German union opens second strike front

BY RUPERT CORNWELL IN BONN

THE STRIKES in West Germany's engineering industry intensified yesterday, despite reports that management and union leaders had agreed to talks in Stuttgart later this week in a new bid to find a settlement.

The opening of a second strike front in the state of Hesse means that more than 50,000 members of the IG Metall engineering union have stopped work in support of the demand for a 35-hour working week. That figure is not a true reflection of the situation, however. It is estimated that 80,000 workers in the car industry – increasingly crippled by the lack of components normally produced at the strike-bound plants – have already been made idle. If further closures take effect at companies such as Volkswagen and Ford, which have so far managed to keep operating, this total could rise to 200,000 within the next few days.

Herr Norbert Blüm

On top of that, 65,000 IG Metall members are facing a lock-out from today by management in north Baden Württemberg, in the Stuttgart area, where the first all-out strikes began a week ago.

Employers in Hesse, meanwhile, are due to decide on retaliatory measures on Thursday.

In all, well over 300,000 workers could be affected by the weekend, at a cost – according to Herr Norbert Blüm, the Labour Minister – of over DM 300m ($108m) a week to the public exchequer in the form of lost welfare contributions and extra payments.

Speaking yesterday outside the strike-bound Opel car works at Rüsselsheim near Frankfurt, Herr

Continued on Page 20

Stock markets, Page 31

Continental Illinois pressed on liquidity problem

By William Hall in New York

U.S. BANKING regulators are putting pressure on Continental Illinois, the big Chicago bank which was rescued last week, to find a quick solution to its liquidity problems even if this leads to the bank being taken over by another institution and losing its independence.

Evidence of the pressure being brought to bear on Continental Illinois emerged yesterday as details of last week's $2bn emergency capital injection into the beleaguered Chicago bank were disclosed.

The $2bn capital injection will roughly double Continental's capital base, but it is in the form of a demand note and does not have a fixed maturity, as has been the case with earlier capital injections by the U.S. bank regulators.

The Federal Deposit Insurance Corporation (FDIC) is putting up $1.5bn and the rest is being subscribed by six New York banks, Morgan Guaranty, Citibank, Chase Manhattan, Chemical Bank, Bankers Trust, Manufacturers Hanover Trust and the San Francisco-based Bank of America.

The FDIC confirmed yesterday that ever since the collapse of Penn Square Bank of Oklahoma City in July 1982 it had been working on contingency plans for a possible run on a major U.S. bank.

The main element in this contingency plan is a large temporary capital injection followed by a more careful analysis of the bank's problems.

The FDIC says that there have been precedents for its subscription to demand notes to help banks facing liquidity problems. Last year it offered a $25m facility to the United Southern Bank of Nashville and a $100m injection for First National Bank of Midland, a big Texas energy lender which suffered from a run on its deposits.

Bankers note, however, that Mr William Isaac, chairman of the FDIC, is taking a far tougher stance than his predecessors in requiring the troubled banks to find an early solution.

They note that when First Pennsylvania ran into financial difficulties in 1980 the FDIC was prepared to subscribe five-year subordinated debt to enable it to have a "breathing space" until it had sorted out its problems.

Continental has not been given such leeway and U.S. bank regulators are indicating that they expect an early solution to the bank's problems.

Stock markets, Page 31

Kuwait change of policy over West in Gulf

BY RICHARD JOHNS IN LONDON AND KATHLEEN EVANS IN DUBAI

KUWAIT'S FOREIGN Minister, Sheikh Sabah al Ahmed al Sabah, said yesterday that Arab states of the Gulf had no right to object if the West intervened to protect oil shipping routes in the region.

His words revealed a change in policy which shows the extent of Kuwait's apprehension about its security and its oil revenue in the wake of last week's Iranian air attacks on two of its tankers and the Saudi-owned Yanbu Pride.

Saudi leaders met Mr Richard Murphy, a U.S. Assistant Secretary of State, yesterday, to discuss fears that the kingdom might be drawn into the conflict between Iran and Iraq. Meanwhile, a technical committee representing Gulf states met in Riyadh to try to draw up safer shipping routes for Arab tankers in the Gulf. The Gulf Co-operation Council asked for an urgent meeting of the UN Security Council to discuss the threat to shipping in the waterway.

The technical committee was looking at routes running parallel with the coasts of Gulf states within reach of shore-based anti-aircraft batteries.

Kuwait and its neighbours in the Gulf Co-operation Council have previously always formally opposed any superpower interference in the Gulf, and the U.S. Administration is determined not to press publicly the question of American forces safeguarding the oil exports of the conservative Arab states.

Sufficient U.S. intervention to give anything like comprehensive air and naval cover to shipping lanes would require base facilities within the Gulf itself, as well as those the U.S. has in Oman, according to military analysts. They say that the U.S. Seventh Fleet would not risk exposing the aircraft carrier Kittyhawk in Gulf waters, with the limited room for manoeuvre.

For good measure, Sheikh Ali Khalifa al Sabah, Kuwait's Minister of Oil, criticised the U.S. yesterday for its "passive" attitude towards the war between Iran and Iraq. He was speaking to a symposium on Arab-American economic co-operation.

Sheikh Sabah explained the Kuwaiti position on intervention in a weekend interview with the newspaper An Nahmar by saying that the Gulf was a vital artery for European and Asian nations. But he ruled out the idea of outside powers establishing military bases in the region.

Later yesterday, Sheikh Sabah and his Iraqi counterpart, Mr Tariq Aziz, arrived in Tokyo for talks with Mr Shintaro Abe, the Japanese Foreign Minister. They are expected to urge Tokyo to use all its influence to persuade Iran to accept the ceasefire for which Iraq has long been calling.

Asian cable contract goes to UK group

BY JASON CRISP IN LONDON

BRITAIN'S Standard Telephones and Cables (STC) has won a £60m ($82.8m) contract to supply the largest part of an undersea telecommunications cable between Singapore and Taiwan.

STC is to install the submarine cable between Singapore and Hong Kong. NEC and Fujitsu of Japan will supply the much shorter link between Hong Kong and Taiwan.

The contract is for the second of three major submarine cables to terminate in Singapore which are to be awarded this year. The three contracts are expected to be worth well over £400m.

Earlier this year, Submarcom, a French consortium, won the main share of a £280m cable linking Singapore with France through Sri Lanka, Saudi Arabia, Egypt and France. Submarcom won contracts worth £175m.

The third cable, which is not expected to be awarded until the summer, will be between Singapore, Indonesia and Perth, Australia. The main competitors for undersea telephone cable contracts are STC, which claims to have about half the world market, Submarcom, NEC and AT&T Technologies, which includes the former Western Electric.

The order for the Singapore to Taiwan cable has been placed by the Telecommunications Authority of Singapore. Cable & Wireless Hong Kong and the International Telecommunications Development Corporation of Taipei.

European election seen as UK test of Thatcher popularity

BY PETER RIDDELL, POLITICAL EDITOR

EUROPEAN ELECTIONS next month will be seen in Britain as the voters' verdict on the record of the Conservative administration since last year's general election, Mrs Margaret Thatcher, the UK Prime Minister and Mr Neil Kinnock, opposition Labour leader admitted yesterday.

Conservative and Labour policy documents published yesterday in London were both presented in a clearly domestic context, stressing what the parties could do to advance Britain's national interest in the Community, with much less mention of the activities of the European Parliament.

The Conservatives' document is mainly a defence of the party's EEC record, with its opposition to proposed institutional changes to strengthen collective decision-making and the role of the Strasbourg Parliament.

Launching the document Mrs Thatcher was at her most ebullient and brimming with confidence. She emphasised that Conservatives believed in the strong British voice and representation in Europe, particularly in relation to the EEC budget. She rejected the views of the "Euro-fanatics and federalists" and of the "Euro-phobes."

Mrs Thatcher defended the use of the veto and was cool about suggested talks on an increased EEC emphasis in defence policy.

Labour's document is mainly a revision of its June 1983 general election policies and its launch yesterday highlighted the improvements in presentation and greater party unity since then.

Mr Kinnock was accompanied by shadow spokesmen all wearing red roses and by Mrs Barbara Castle, the leader of the Labour MEPs. He made it plain that Labour was saying to the British people that the June 14 election was "an opportunity for you to record your judgment on the economic and social depression which the policies of Mrs Thatcher have brought and on the U.S. cruise missiles and the Trident missile programme."

Labour makes clear that withdrawal from the EEC has been relegated from an urgent commitment to one of a number of options, mentioned only towards the end of the document.

It points out that Britain will remain in the EEC at least until the next general election, and the decision of any incoming Labour Government on withdrawal would depend on whether "we can get the burden of the food bill off British backs and on plugging the outflow of jobs and investment from Britain."

Mr Kinnock said 12 years of EEC membership had altered Britain's trading and economic relations and the party would have to calculate carefully where the advantage to Britain lay in terms of membership.

The only discordant voice yesterday came from Mr Edward Heath, the former Tory leader, who sought to put as much distance from Mrs Thatcher physically as well as in spirit by launching his personal Euro-campaign. He sought to decry any mention of "self-interested nationalism" and did not mention the EEC budget row.

Details, Page 13; Editorial comment, Page 18

CONTENTS

World insurance premium volume up 3.6% in 1982

BY JOHN WICKS IN ZURICH

THE TOTAL premium volume of world insurance business, excluding that of the East-bloc countries, reached some \$466bn in 1982, according to estimates by Swiss Reinsurance Company. A further \$6bn is believed to have been accounted for by offshore captive insurers, two-thirds of this sum in Bermuda.

The \$466bn estimate is only 3.6 per cent up on the company's figure of \$450bn for the previous year, but this modest growth rate largely reflects the strength of the dollar. Without currency effects, world premium volume is seen as having expanded by as much as 10 per cent.

However, the recession was also responsible for the fact that non-life business grew by only 2.2 per cent in dollar terms in 1982, a rate far behind that of previous years, to reach about \$267bn. *Life assurance is seen* as having been less affected by economic developments; premiums increased by 5.4 per cent to \$199bn.

No less than 51 per cent of the overall premium figure was accounted for by the U.S. and Canada alone. European countries made up a further 27.9 per cent, and Japan 13.4

Portuguese job programme

By Our Lisbon Correspondent

THE SOCIALIST-led Portuguese Government has launched an emergency job programme for 3,000 un*employed farm workers in southern* Portugal, whose families it recognises are living "on the edge of subsistence."

Under a four-month programme, *the Government will subsidise em*ployers to take on the jobless, paying 70 per cent of their wages up to a maximum of Esc 13,000 (\$92) a month.

*The families all live in the Alente*jo land reform zone, where huge wheat and cork estates were seized by Communist-led casual labourers, following the 1974 revolution.

Planned EEC steel cuts to total 30m tonnes

BY PAUL CHEESERIGHT IN BRUSSELS

PLANNED CAPACITY in the EEC steel industry will total 30m tonnes under a restructuring programme which should finish by the end of next year, according to *Mr Frans Andries*sen, the Commissioner in charge of competition policy.

This is over 3m tonnes more than the Commission demanded from the Ten as a *price* for approving subsidies aimed at reforming the industry.

Mr Andriessen made it clear that the Commission would oppose any attempt either to waive *rules agreed by* the Ten fo the reform programme or to have that programme extended beyond the end of next year. After that no subsidies are permitted.

France has already announced plans for a fresh FFr 30bn (£2.54bn) subsidies programme *to run into 1987 and* it is widely thought in Brussels that Italy, Belgium and possibly the UK may find it beneficial to have the end-1985 deadline extended.

The grant of subsidies under the Ten's 1981 steel programme is tied to capacity cuts and the viability of steel companies by the end of 1985.

In June last year, the Com*mission demanded capacity* cuts of 26.7m tonnes, spread around the Ten, from the 1980 maximum production capacity of 16.6m tonnes. *It* set a deadline of January 31, 1984 for submission of final national restructuring plans, after which time no temporary subsidies would be granted except for those to achieve the final plans.

The level of cuts planned and executed so far showed that the programme "is moving in the *right direction*," Mr Andriessen said.

France and the UK have not yet submitted their final plans. But the Commission received the Italian plan *earlier* this month. This accepts the Commission demand for cuts of 5.8m tonnes and is split between 3.8m tonnes from the public sector and 2m tonnes from the private sector.

Mr Andriessen said the Commission would hold talks with the Rome Government because it is not clear how the private sector cuts would work out in practice.

Definitive plans for West German, Dutch, Belgian and Luxembourg restructuring are already at the Commission and have been wholly *or* partially approved, thus releasing subsi*dies*. "*There is a definitive* Irish plan, but I would not wish to rule out amendments," said Mr Andriessen.

Genscher's N-talks call rebuffed by Gromyko

MOSCOW. Herr Hans-Dietrich Genscher, the West German Foreign Minister, yesterday urged the Soviet Union to return to nuclear arms talks, but *his approach* was brusquely rebuffed by Mr Andrei Gromyko, his Soviet counterpart, according to West German officials.

In three hours of talks in the *Kremlin, Herr* Genscher said the West wanted a dialogue on all issues and in particular a resumption of U.S.-Soviet negotiations on medium- and long-range missiles, the officials said.

Mr Gromyko replied by devoting a large slice of a 75-minute statement to a sharp attack on Washington, saying it was entirely to blame for the present stalemate, they said.

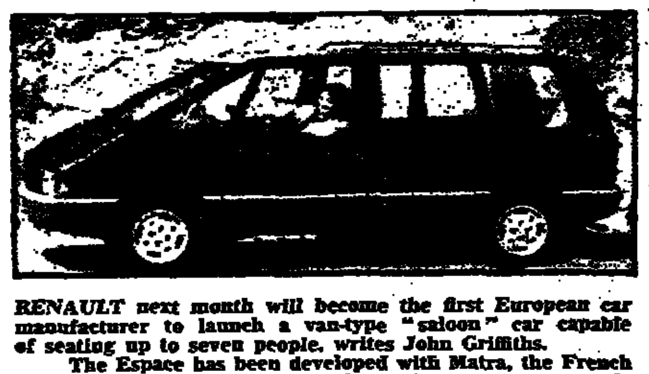
Speaking at a luncheon after the talks, Herr Genscher returned to the topic and recalled that the Warsaw Pact had said there were no issues which could not be resolved through talks.

"But these words must be followed by deeds, and without any preconditions," he said.

Herr Genscher was said to have firmly rejected Mr Gromyko's attacks on Washington and termed them inaccurate.

In his own luncheon speech, Mr Gromyko stressed that talks on both medium- and long-range nuclear missiles could only resume if U.S. medium-range weapons were removed from Western Europe.

In the address, which diplomats described as unusually harsh by Kremlin diplomatic standards, he attacked the U.S. leadership, accusing it of taking a course towards confrontation and attempting to destroy East-West military parity.



RENAULT next month will become the first European car manufacturer to launch a van-type "saloon" car capable of seating up to seven people, writes John Griffiths.

The Espace has been developed with Matra, the French aerospace company whose vehicles division was responsible for designing the Rancho, a small Range Rover-type vehicle.

While the Rancho was built in limited quantities by Matra for sale through Renault's dealer network, Renault is to use its own factory at Romorantin to build 50 Espaces a day initially.

It claims that the Espace—to be offered in four versions with 2 litre petrol or diesel engines—will have the handling and other qualities of a conventional saloon, and be capable of nearly 110 mph in its most powerful petrol-engined form. The car will enter other Continental markets at the end of the year, and is expected to be sold in Britain from next spring.

French Left wins poll test in steel region

BY DAVID MARSH IN PARIS

THE LEFT-WING parties in France's coalition Government won *an important* local test in the heart of the country's troubled Eastern steel region at the weekend, when the Communist mayor was re-elected in a refought municipal election at Thionville on the Moselle.

The victory by M Paul Souffrin by a small majority was viewed with particular comfort by the Communist party, which has suffered a series of municipal poll reverses in recent months, above all in the industrialised urban belt around Paris.

The electoral win confirmed M Souffrin's showing in the March 1983 municipal vote, which was declared invalid after polling irregularities. *Although it stems the tide of* recent poll setbacks, the mayor's victory at the head of combined *Communist-Socialist* list provides only very partial proof that the Left may be regaining popularity during the run-up to next month's European elections.

The Left won the Thionville seat in a low poll turnout amid evidence that many people did not vote because of apathy about the Government's inability to stem the tide of redundancies in the Lorraine steel area.

In other re-run municipal elections at the weekend, the right-wing opposition won a crushing victory at Dammarie east of Paris, while the Left clinched an unexpected success in the small south-western township of *La Tour*.

Craxi wins confidence vote on indexation

BY ALAN FRIEDMAN IN ROME

THE GOVERNMENT of Sig Bettino Craxi yesterday easily won its second parliamentary vote of confidence in 72 hours, linked to its decree cutting Italy's *scala mobile* wage indexation system this year.

The chamber of deputies supported the Government 318-158 in a confidence vote which was designed to *place a guillotine debate on the de*cree. The first confidence vote came in the early hours of Saturday when the chamber voted 341-195 in favour of the Government.

The second vote came as obstructive tactics by the opposition Communist Party continued. Some 73 priority agenda items have been tabled in order to delay the key part of Sig Craxi's legislative strategy – the second part of the confidence vote tied specifically to approval of the decree.

As a result of these extra items the parliament was yesterday holding a series of votes in order to cut off further debate

According to one Cabinet minister, if these votes go well, then the chamber's vote on the decree will be held tomorrow. Although this vote, unlike yesterday's, will be by *secret ballot, the Government is ex*pected to hold its majority together

If the Chamber approves the decree on Wednesday it will then be up to the Senate to consider the measure. This could take about 20 days, leaving only a small margin of time before June 16, the date on which the decree expires. The European elections are to be held on June 17, which means that a Craxi victory on the decree could have a significant impact for his Socialist Party.

W. German industrial output 'to rise 5%'

DÜSSELDORF – West German industrial production is expected to rise by 5 per cent in 1984 after a 0.9 per cent rise in 1983, West Deutsche Landesbank Girozentrale (WestLB) said.

In a forecast on different sectors, WestLB said industrial production rose 8.8 per cent in the first quarter of 1984, compared with the same period last year.

It said the 4 per cent decline in March production was due to special factors and did not mean a break in the higher trend. It added, however, *that a marked decelera*tion in current growth was forecast for 1984, not least as a result of union stoppages.

WestLB said its forecasts could not take into account strikes by IG Metall which, it said, overshadow the generally-positive outlook for West German industry.

The strikes are now entering their second week and spreading from Stuttgart to the state of Hesse. If the disruption can be kept within limits, growth forecasts can be left unchanged, the bank said.

But if strikes continue for much longer, its forecasts might have to be revised downwards.

The bank noted that production picked up very quickly after widespread strikes in the steel industry, in 1978.

WestLB said in its report that the *upswing in West German industry* was expected to continue due to a marked rise in investment and continued export demand. This growth would slow, however, partly due to an expected weakening of demand for German cars and partly as various state building aid programmes ran out, it said. Reuter

Legal action over Turkish petition

ANKARA martial law authorities yesterday started legal proceedings against 1,256 leading academics, lawyers, doctors, actors, and intellectuals who last week petitioned President Kenan Evren for more political liberalisation and an end to torture and the death penalty, writes David Barchard in Ankara.

The petition was carefully worded to avoid any direct breach of Turkey's martial law code. However, it was banned from publication by the military as soon as it appeared.

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Protests complicate Madrid's decision on Nato membership

BY TOM BURNS IN MADRID

A STRING OF pacifist demonstrations in Spanish cities over the weekend and plans for further protests during the next fortnight are proving embarrassing for the country's Socialist Government which is looking for a formula that will commit it to remain within Nato.

The largest demonstration was in Barcelona where some 60,000 were estimated to have turned out. They gathered under the European pacifist slogan of disarmament, and added a second Spanish-grown slogan which called on the government to honour its electoral promise that a referendum would be held on Spain's continued membership of the Atlantic alliance.

A notable feature of the Barcelona demonstration was that the local Socialist Party defied the national leadership and backed the protest. Hitherto, Socialist associations have stood aside from pacifist gatherings.

Smaller demonstrations were held in other cities including Cartagena, an important navy depot, and Saragossa where the U.S. air force has facilities. Spanish pacifist groups are also planning a large protest in Madrid on June 3.

The Government, however, is resisting pressure to name a referendum date. It is also stepping up its public commitment to Western defence and is making increasing use of the linkage between membership of the European Community and of Nato.

The original Socialist opposition to Nato entry and the subsequent referendum promise are now viewed in the Government as mistaken, and there is a growing consensus that it is not feasible to leave the alliance.

Questioned in Parliament last week by the conservative opposition, Prime Minister Felipe Gonzales refused to be committed to a time schedule for deciding what he termed the "modalities" of Spain's defence role. Spain currently does not form part of Nato's military command.

In talks in Madrid last week with Chancellor Helmut Kohl, of West Germany, Sr Gonzales repeated that his Government had ruled out neutrality and was determined to play its part in Western defence.

Sr Narcis Serra, the Defence Minister, said at the week-end that "Spain's future in Nato depends on the (negotiation to join) the EEC." Current government thinking is that, with negotiations on entry due to be completed by September, and with January 1986 as the formal accession date, it will be possible next year to persuade the public of the value of full integration with Europe—economically and defensively.

Dutch government leaders square off over missiles

BY WALTER ELLIS IN AMSTERDAM

RELATIONS BETWEEN Mr Ruud Lubbers, the Dutch Prime Minister, and the man on whose political support his coalition government vitally depends have reached a dangerous low over the increasingly emotive issue of cruise missile deployment in the Netherlands.

The centre-right cabinet is due to vote on the question before the end of June, but Mr Ed Nijpels, 34-year-old leader of the Liberal Party (VVD) with which Mr Lubbers's Christian Democrat Party (CDA) is in coalition, has irritated the premier by his refusal to consider compromises and by his seeming haste to reach a binding decision.

Both he and Mr Nijpels were young enough not to suffer from loss of memory, Mr Lubbers remarked frostily to De Volkeskrant, a leading Dutch newspaper. "The VVD refused to take ministerial responsibility for defence. They wanted to leave the problem to the CDA. Very well. Now let them do so."

The Prime Minister has indirectly accused Mr Nijpels of leaking information about the so-called crisis variant, under which the Netherlands would prepare a site for cruise but accept the weapons themselves only when East-West confrontation seemed imminent. Mr Lubbers, it emerges, considers the variant a real option, but Mr Nijpels has dismissed it as unrealistic.

Mr Lubbers has revealed that, as a result of the mounting pressures, the cabinet finds itself "in an extremely uncomfortable situation." The CDA is badly split on the issue, while the Liberals are strongly in favour of deployment. If no agreement is reached next month, both in cabinet and in Parliament, the Government will fall, leading to a general election, probably in the autumn.

Fraud losses to revenue estimated at Fl 35bn

BY OUR AMSTERDAM CORRESPONDENT

A CONFERENCE on criminology in Amsterdam has been told that the Dutch Treasury loses each year as much as Fl 35bn (£8.14bn) as a result of tax evasion and social security fraud. In addition, some Fl 40bn more is lost annually through legal tax avoidance.

Since the central government budget deficit last year amounted to some Fl 30bn, stricter supervision of tax collection and the closing of certain loopholes in the law would greatly lessen the Treasury's borrowing requirement.

Against this, any large scale increase in tax revenues would inevitably have a depressive effect on consumer spending, which is only now beginning to recover in the Netherlands after several lean years.

Mr Cees de Kam, a leading Dutch tax authority, in revealing the extent of the problem, called for tougher measures to tackle evasion.

Banks seek bigger role in Norway's reserves

By Fay Gjester in Oslo

A STEEP rise in the Bank of Norway's foreign currency reserves to a record NKr 62.5bn (£5.7bn) at the end of April has revived discussion among Norwegian bankers about the Government's policy for investing these reserves.

The banks would like to see a much larger share deposited in their overseas branches, enabling them to reinvest it on foreign markets. At present, most of the central bank's foreign currency reserves are on deposit with foreign banks.

A Bank of Norway spokesman said yesterday that there were no immediate plans to let Norwegian banks handle a larger share of the state's foreign currency reserves, although this question was reviewed from time to time.

The large foreign debts which the state ran up in the mid-1970s, when it borrowed against future oil revenues to ride out a recession, have now been virtually repaid. Only NKr 4·5bn was outstanding at the end of 1983, and most of this is due for repayment during the current year.

In view of the country's comfortable foreign exchange position, the Government intends to relax a number of currency-related restrictions, with effect from June 15.

From that date, there will be no limit on the amount of foreign exchange which Norwegians can buy for tourist purposes (the present limit is NKr 10,000 — some £917 — per person, per journey), although the banks must keep a record of such purchases, as a check — among other things — on "black economy" transactions.

Purchases of foreign exchange for investment in holiday homes abroad will no longer be subject to the present NKr 400,000 ceiling, and an existing ban on borrowing abroad to finance foreign house purchases will be lifted.

Norwegians will be allowed to invest as much as they like in foreign shares, and foreigners may invest in both quoted and unquoted Norwegian shares. Previously, they could buy only those quoted on the Oslo Bourse.

To buy foreign exchange for direct investment abroad other than shipping, a Bank of Norway licence has been required, although over the last two years licences have been granted almost on demand. Now, the licensing arrangement is to be replaced by a system that will simply record these transactions.

The Government is also considering an increase in the amount which Norwegian banks may lend, in kroner, to foreign customers, provided that the foreign exchange situation continued satisfactory.

To date, as a first step in this direction, the banks have been permitted to make some krone loans to oil companies operating on Norway's continental shelf.

They are eager to expand this type of activity, but no change in the rules regarding krone loans is expected until the autumn, when next year's budget is tabled, and with it the official economic forecast for 1985.

Growers turn increasingly to better quality and marketing, writes **David Housego**

Passions rise as Midi wine earnings fall

JEAN HUILLET is a burly French winegrower from the south who wears his long hair in ringlets and flashes a stud in one ear. He claims to be able to mobilise a force of 3,000 winegrowers in 8-10 hours.

With his gypsy looks and powerful lungs, M Huillet is a well-known figure among the wine producers of the Midi as a leader of one of the semi-clandestine "action committees."

Under the benign neglect of the police, the committees have for years disrupted road and rail traffic, ransacked *préfets'* offices and emptied lorries bringing imported wine into France as a way of forcing the attention of a distant government on the southern winegrowers' grievances.

M Huillet calls the action committees the "secular arm" of the trade union movement and, drawing on France's revolutionary past, an example of "direct democracy" at work.

Over the past couple of weeks, however, he has had to restrain his followers. With wine vats overflowing and prices stagnant, the Midi wine producers had been on the rampage since February pulling up rail lines, halting road traffic and on one occasion burning two English pleasure boats in protest against Mrs Thatcher's EEC policies.

But a "commando" raid on April 20 on the Leclerc supermarket in Carcassonne went badly wrong when, in circumstances still to be explained, the whole building was set alight causing damages of about FFr 30m (£2.6m). The local action committee immediately disclaimed responsibility for an act of arson without precedent even in the violent annals of Midi winegrowers.

For the leaders of the movement it brought a warning signal that they might have lost control of a militant group within their rank and file. It also brought them into direct confrontation with the police who arrested six winegrowers and drafted riot forces into Carcassonne as a deterrent against further violence.

Many in France fear that the fresh flare-up in the South is part of a wider and more worrying trend. This is the apparently increasing readiness of interest groups from farmworkers to steel workers to resort to violence to defend their corporatist status against the inroads of recession and rationalisation.

For the Socialist Party the unrest in the south also carries warning signals in that the Languedoc—Roussillon region has been a traditional bastion of the Left that voted more solidly for M. Mitterrand in the 1981 presidential election than any other region in France. "Our politics are the colour of our wine," says M Andre Cases, another winegrowers' leader for whom red has more than symbolic value.

Worried at the potentional erosion of Socialist party support, M Mitterrand saw a delegation of winegrowers from the Midi and is to visit the area early next year.

In Montpellier, the capital of the Languedoc - Roussillon region the reaction to this year's disturbances has been more philosophical. "Passions rise and fall with the price of wine," M Robert Capdeville, the Socialist President of the regional council, tells his advisers.

Officials say that, though the demonstration by 6,000 winegrowers at Narbonne in February was the largest in the Midi for some years, its size was still well below the massive demonstrations of 10 or 20 years ago.

Local opinion is also increasingly turning against the use of violence which is seen as damaging to a region attempting to establish a new image attractive to the sunbelt industries of tourism, high technology and the intensive cultivation of Mediterranean produce. For, though the remaining 31,000 full time winegrowers who span the Aude and Herault valleys and the department of the Gard—70,000 if part-time growers are included as well—weigh heavily in the politics of the region, they only account for 17 per cent of the wealth it generates.

> Local opinion is increasingly turning against the use of violence which is seen as damaging to a region attempting to establish a new image attractive to the sunbelt industries of tourism, high technology and the intensive cultivation of Mediterranean produce. For, although the remaining winegrowers weigh heavily in the politics of the area, they only account for 17 per cent of the wealth it generates.

The winegrowers' problem is that they have been doubly squeezed by changing European tastes in wine drinking and by increasing competition from other low cost wine growing regions, such as Spain, Italy, Chile and Australia.

The Midi has traditionally produced the cheap red wine that once stood on every working Frenchman's table and was as much part of the popular image of France as the Basque beret and the long French loaf. Frenchmen now drink less wine but more of better quality. In 1969-70 the French drank 5m hectolitres of higher quality "appellation controllée" wines and 41m hectolitres of table wines mostly from the Midi. They now drink 10m hectolitres of AC wines and 30m hectolitres of table wines.

A great many winegrowers have thus seen their earnings slip below the French minimal wage. But M Francois Dubin, head of the Chamber of Agriculture in Montpellier, says that comparisons are difficult to make because of the large numbers of winegrowers who have second incomes.

This year their earnings have fallen sharply because the 1983 wine crop was some 20 per cent down on the outstanding 1982 crop while prices have remained unchanged. The EEC has decided against financing exceptional distillation measures that would reduce the surplus by 5m hectolitres and provide winegrowers with over 80 per cent of the market prices.

Worse still the EEC has withdrawn financial facilities that help the winegrowers cover

Looming in the background is the Midi producers' fears that the entry of Spain and Portugal into the EEC will further flood the market.

M Jean Huillet is one of those who believes that the Midi will not reverse the tide by indiscriminate violence. "An improvement in quality from now on, that is our only chance," he has been quietly telling his followers. The cooperative which he runs at Valrosa in the Herault valley has for a long time been replanting, further improving the quality by strict control over wine making and by giving more attention to marketing.

The new emphasis on marketing is widespread in the Midi where growers see they have lost ground in export markets to Italy and Spain. With state and local authority assistance a new cooperative venture, Caves Bon Lui, has been launched which is planning to sell light table wines in cans. It has brought in a marketing specialist from Perrier, the mineral water group, to help it to expand abroad.

Along the slopes higher growers "appelation controllée" wines are being developed with names that are winning a growing reputation in Britain and elsewhere—Costieres du Gard, Minervois, Cotes de Roussillion and Cotes de Languedoc.

At the same time many winegrowers have uprooted thier vines to replant their land with fruit and vegetables. But both wine growers and farmers are finding that prices are inadequate to cover the cost of the large investments they have made. Ambitious young winegrowers, says M Dupin, have been strangled by the weight of debt.

But the storm centre of the present unrest is where change has been least. This is in the dry plain between Beziers and Narbonne which still produces the low grade 5-6 degree wine that needs to be blended with stronger Italian wines before it is fit to serve.

This region made its fortune out of such wine in the prosperous years at the end of the last century when the development of rail transport opened up the French market. The growers still are none to scrupulous on how they boost quantity. But buyers are few and the EEC is increasingly reluctant to subsidise the surplus. The area thus provides the action committees with many of their most militant members.

The Socialists, who had backed the wine growers in their grievances before they came to power, are now advocates of change and restructuring. But they find it difficult to explain their shift in tack and expect to suffer the consequences in the European elections in June.

Spacelab—new frontiers of science

Peter Marsh on preliminary results from the maiden flight of the world's first re-usable laboratory for doing experiments in space

"WE WERE surprised at just how successful we were"—said one U.S. scientist summing up the maiden flight of Spacelab, the world's first reusable laboratory for doing experiments in space.

Preliminary results from last November's 10-day mission are appearing only slowly from the 70 or so teams of scientists that took part.

But already it is clear that the laboratory's maiden mission has yielded significant results in areas as diverse as the monitoring of the atmosphere for pollutants, the understanding of how humans adapt to the weightlessness of space and the development of biochemical catalysts and of hardware for nuclear-fusion reactions.

The scientific teams — from the U.S., Western Europe and Japan — meet in Capri, Italy, next month to provide the first detailed assessment of what they learned from the mission.

The flight was a joint effort by the U.S. National Aeronautics and Space Administration, which provided the space shuttle inside which the laboratory journeyed through the heavens, and the European Space Agency, which developed Spacelab at a cost of $750m.

As part of an agreement hatched in 1973, after the initial flight Spacelab remained the property of the U.S. Government which will rent it out on future missions to anyone who can afford the fee.

The first mission cost some $350m including launch fees for the shuttle. But Nasa thinks that in a few years the cost of a Spacelab flight could be brought down to about $75m, assuming reduced shuttle charges and greater efficiency in operating the space laboratory.

Dr Michael Wiskerchen, Nasa's programme scientist for the first flight, said: "In almost every discipline represented on the flight, we set new frontiers in science."

Researchers are particularly pleased with the results from an array of instruments that scanned the atmosphere as Spacelab encircled the earth at an altitude of 250 km.

The hardware made the first detailed measurements over the whole of the globe of trace gases found in the atmosphere between 40 km and 100 km above the earth. Before the flight, scientists had only a poor understanding of this part of the atmosphere.

Researchers obtained readings of gases such as ozone, carbon dioxide, methane and carbon monoxide. By repeating the experiments on later Spacelab flights, scientists may be able to keep track of gaseous pollutants and build up models for the ways in which the materials disperse naturally in the atmosphere.

Workers may also find they can monitor in detail variations in the ozone layer. Any changes in this layer may affect life on earth as the gas acts as a barrier to harmful radiation from the sun.

In another study, scientists from the Massachusetts Institute of Technology and Nasa's Johnson Space Center in Houston investigated the behaviour in weightlessness of some of the six astronauts who took part in the Spacelab mission.

The researchers think they have finally discovered the reasons for the nausea, similar to travel sickness on the ground and labelled space adaptation syndrome, that affects many astronauts during their first few days in orbit.

According to the scientists, space sickness is due to the erratic behaviour in space of the otolith, an organ inside the inner ear. By sending electrical signals along nerves to the brain, the otolith helps people to keep their balance and refrain from falling over.

Researchers monitored the signals passing from the otoliths of the Spacelab astronauts. They found that, in space, the otolith sends information which contradicts that provided by the eyes. As a result, the brain becomes thoroughly confused, producing the sickness.

Astronauts differ in the degree to which they suffer from the nausea, depending on the way the otolith interacts with other parts of the body under normal conditions of gravity.

Researchers can quantify this interaction by monitoring signals to the otolith before astronauts take to space—in this way medical workers may be able to predict those who are most prone to sickness. If the otolith is sedated with drugs during flight, the nausea may be stopped altogether.

In other research related to astronauts' health, scientists tried to find out why people often come back from space suffering from anaemia. It appears that something happens under weightlessness to interfere with the production of red blood cells.

Workers think they have pinned this down on a hormone called erythropoiesis. Present naturally in the blood, this attacks cells. Production of the hormone is triggered when the body realises it has too much blood and wants to get rid of some of the fluid.

Scientists found that the blood streams of their human guinea pigs aboard Spacelab contained twice as much of this hormone as is normal. It appears this is because under zero gravity the upper reaches of people's bodies contain more blood than usual—on earth blood is concentrated toward the lower parts as a result of gravity.

The top elements of the body are thus fooled into thinking they have too much blood. This initiates extra production of the hormone, and the concentration of blood cells falls. On future flights, physicians may give astronauts drugs to ensure that the hormone does not over produce.

In another venture, scientists shot out into space beams of electrons and then collected them, with the metal parts of the space shuttle acting as a conductor for the electrons' return.

Surprisingly, they found that the energy of the beam increased by a factor of five. Researchers think the electrons obtained the extra energy from the plasma, or "soup" of ionised gases, that is present at the space shuttle's altitude some 250 km above the earth.

The plasma in space is similar to the ionised gases that, in the decades to come, may feature inside nuclear-fusion reactors which could be an important source of energy.

With a camera produced in West Germany, Spacelab took thousands of pictures of the earth. The camera took shots of 200 km sq, in which objects of dimensions as little as 20 metres can be picked out.

The U.S. plans a second Spacelab flight this November that will concentrate on materials science. Two more U.S. missions, in 1985, will feature more observations of the atmosphere and experiments in plasma physics and astronomy. West Germany is paying for its own Spacelab mission, also planned for next year.

Thereafter, Nasa scientists want to fly Spacelab roughly once a year.

Meanwhile, scientists are still trying to sort out the mass of information—20m TV pictures and enough computer data to fill half a million average-length novels — that the first Spacelab sent to earth. Only after this job is finished, perhaps a year or so from now, will full results from the mission be available.

Payload specialist Ulf Merbold— the first European to fly on the Shuttle

Exchanging reality for nostalgia 40 years on

By Stewart Fleming in Bretton Woods

"United Nations Monetary Conference 1944 United Kingdom, Lord John Maynard Keynes," reads the small brass plaque on the door of room 219 of the Mount Washington Hotel, Bretton Woods, New Hampshire.

It was here, 40 years ago that Mr Keynes and Mr Harry White, leading the U.S. delegation, helped to create the world monetary system for the post war era, a system which, according to Mr Louis Rasminsky, a member of the Canadian delegation in 1944 underpinned "a period of prosperity greater than the world has ever seen."

Mr Rasminsky was one of four delegates from the first Bretton Woods conference who gathered here last weekend to review the monetary history of the past 40 years along with economists and officials such as Lord Eric Roll and Mr Robert Roosa, men who helped to manage the Bretton Woods system of fixed but adjustable exchange rates before it exploded in 1971.

In the eyes of some at least they were forced to survey the ruins of what Mr Keynes and Harry White created and instead contemplate a monetary non-system of destabilising capital flows, violently gyrating exchange rates and contending economic philosophies.

It is not just the presence of four original participants which contributed to the palpable nostalgia which hung over the fortieth anniversary conference.

With the headlines full of reports of soaring interest rates, the developing country debt crisis and last week the unprecedented $7.5bn bail out of Continental Illinois, a yearning for a more orderly and disciplined financial system prevailed.

But the men attending the meeting are realists, not romantics, who recognise that a return to the system which contributed so much to the stability of the 1950s and 1960s is not on the cards.

The big difference, in the eyes of Lord Roll, is the intellectual climate. At the first Bretton Woods conference there were great differences of view on practical issues, but not on the intellectual foundation of macro-economic policy. "That is not an attitude we can have today," Lord Roll added. "The developing countries are very much at the centre of the stage."

The conviction that to some degree at least it is the intellectual preoccupations of the U.S. Treasury which is helping to block policy convergence was underlined by Mr Robert Roosa, a former treasury undersecretary for monetary affairs.

"I would like to think there is an arrangement which shamed the U.S. Treasury into doing a little more than they have been doing," he growled. But whether some form of exchange rate targeting, such as Mr Roosa advocates, could provide the discipline is hotly contested. Mr Jacob Frenkel of the University of Chicago asked whether the exchange rate system creates the economic policy discipline or the policy discipline creates the exchange rate system."

According to Mr Rasminsky however discipline is not always everything it is cracked up to be. Recalling the late night drafting sessions as the Bretton Woods conference in 1944 shaped the International Monetary Fund's articles of association, Mr Rasminsky cast his mind nostalically back to those exciting nights when the delegates, tiring of their efforts, were sent off to the Mount Washington hotel's blue room for an hour.

There, he said, they visually savoured the delights of "Conchita the Peruvian bombshell, a Latin American belly dancer, whose contribution to post-war prosperity Mr Rasminsky claimed, has past unremarked for all these years.

Sr Duarte battles to win over Congress

By Reginald Dale in Washington

SR JOSE NAPOLEON DUARTE, President-elect of El Salvador, yesterday began a round of Washington appearances in which he will insist that he can tackle his country's "tremendous crisis," but only if assured of continuing U.S. support.

At the White House for talks with President Ronald Reagan, Sr Duarte said that as President he would try to "win the battle" for the minds of his countrymen, but admitted that it would be a "hard task."

Sr Duarte's main task in Washington is to convince Congress to approve Mr Reagan's request for $62m in urgent military aid for El Salvador, on which the House of Representatives may vote later this week. In a television interview on Sunday, he said that his embattled army had only three months supply of ammunition.

Government forces were using 150,000 bullets a day, Sr Duarte said, a rate that seemed high to Washington military analysts. He suggested that it might be a good idea to build a munitions factory in El Salvador to assure the continuity of supply.

He insisted, however, that U.S. aid should not be encumbered with "unilateral conditions"—such as those that many Democrats would like to attach to U.S. military funds. His Government, he said, would stand up to its own responsibilities in confronting social problems, violence and the right-wing death squads.

Sr Duarte repeated that he had "no information" about reports that the Central Intelligence Agency (CIA) had channelled covert funds to his party to help him win the presidential election earlier this month.

Sr Duarte said, reports that he had received support from the CIA had actually helped him, because the Salvador rightists had earlier said he was in the pay of the communists.

While his Christian Democrats had received no support "from anybody," Sr Duarte said, "you have to remember that we're fighting against an hegemony of power on the extreme right, who had millions of millions of money support from all over the world."

He reiterated his intention of setting up an independent presidential commission to investigate some of the more notorious death squad killings. He said that ending the violence was a first step towards opening a "dialogue" with the country's left-wing guerrillas—although he had no plan to offer them a role in government.

Mondale says he will win California and New Jersey

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

FORMER Vice President Walter Mondale has for the first time predicted that he will carry both California and New Jersey in the important closing round of Democratic presidential primaries on June 5.

Mr Mondale was particularly confident about New Jersey, but recent opinion polls have also shown him drawing even with Senator Garry Hart in California, generally considered Hart territory.

Mr Mondale added that he also expected to do well in the other three primaries on final Tuesday, in New Mexico, South Dakota and West Virginia, but was less sanguine than he once was about being able to lock up the Democratic presidential nomination by the end of voting that day. He said he believed "I'll have the delegates I need by the time the convention opens (on June 18)."

Latest unofficial figures yesterday showed Mr Mondale 380 short of the 1,967 delegates needed to win the nomination at the San Francisco convention, with a total of 1,587. Senator Hart, his main rival, had 949, while the Rev Jesse Jackson, the third remaining candidate had 294, and 334 were uncommitted. Both Mr Mondale and Mr Hart are now making heavy plays for the uncommitted delegates.

Mr Mondale made it clear that he would strongly resist efforts by Mr Hart and Mr Jackson to reallocate delegates already elected.

Five charged with fraud over collapse of Carrian

By David Dodwell in Hong Kong

HONG KONG police yesterday arrested five men on charges of conspiracy to defraud in connection with Carrian Investments, the property and shipping group headed by Mr George Tan which was put into liquidation in October last year.

Police refused to identify the men, except to say that three were Chinese and two European. It is understood however that two are former senior executives of Carrian, while the others are employed by a major international accountancy firm in Hong Kong, and by a leading firm of Hong Kong lawyers.

Until now charges linked with the Carrian crash had only been lodged against Mr George Tan and Mr Bentley Ho, directors of Carrian. Mr Tan is charged with making a false statement as a company director, while Mr Ho faces a similar charge and a further one of false accounting.

Committal hearings for these two men have been set for September 10, almost a year after they were arrested on what police described as "holding charges." Mr Tan is free on bail of HK$50m (£4.6m) and Mr Ho on bail of HK$1m.

The Carrian Group, whose main interests were in shipping and property, collapsed during the Hong Kong property crash of autumn 1982. On liquidation in October last year, it is understood that debts attributable to the group, and to those controlled privately by Mr Tan, amounted to more than HK$10bn. The largest creditor is understood to be Bank Bumiputra Malaysia.

Fresh charges in connection with the group's collapse have been expected for some months. It is thought they were delayed while the trial was still in progress of Mr Mak Foon Than, who was last week convicted of murdering Mr Jalil Ibrahim, an employee of Bank Bumiputra Malaysia. Mr Ibrahim was murdered while investigating the background to some of the bank's loans.

The five men charged yesterday are expected to appear in court this morning.

Reuter adds from Hong Kong: During the weekend it was announced that an inquest would be held into the death of former Carrian lawyer Mr John Wimbush, whose body was found at the bottom of his swimming pool, tied by the neck to a concrete manhole cover.

Malaysian bid to attract more foreign investors

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN Government is to relax its rigid equity rules in a bid to attract more foreign investments. Dr Mahathir Mohamed, the Prime Minister, told a group of leading local businessmen that, under the present rules, no foreign investor would invest heavily in Malaysia when he knows he would end up a minority shareholder. Under the Government's New Economic Policy, foreign companies are required to reduce their stakes progressively to only 30 per cent by 1990.

Foreign businessmen, particularly Americans, have said this equity limitation is the most serious barrier to investment in Malaysia.

"What is the loss to Malaysia if we allow largely foreign-owned big manufacturing establishments, which used our rubber, tin and other resources, to operate here and retain the majority stake?" Dr Mahathir asked.

Since the New Economic Policy was launched in 1970, the foreign ownership of the Malaysian corporate sector (defined as publicly listed companies) has declined from 63 per cent to about 28 per cent.

Nimeiri enforces Islamic state

The newly-introduced sharia law has perils for both businessmen and ordinary Sudanese, reports a special correspondent in Khartoum

PRESIDENT Jaafar Nimeiri has moved to strengthen the trend towards authoritarian Islam in Sudan since he declared a state of emergency late last month.

He has appointed two hardline Moslems to the leadership of the country's only legal political party, the Sudanese Socialist Union. The party's new First Secretary, Mohamed Omer, was the first provincial commissioner to try to ban alcohol. The new Social and Political Affairs Secretary, Ahmed Abdul Rahim, is second in command of the country's Moslem Brotherhood. Over 1,000 people have been arrested since the emergency began on charges of prostitution, alcohol trafficking and illegal hoarding. They will appear in new military courts set up in the capital two weeks ago.

Many arrests have taken place in government ministries and corporations. About 35 people convicted of theft are awaiting the amputation of their hands and some may suffer "crucifixion" under which the right hand and the left foot are removed. At least five people have been sentenced to crucifixion, including one man who stole goods worth £60.

President Nimeiri has made it clear that the adoption of the Islamic way of life in Sudan is irrevocable, but to many, this sounds like the cry of a dying regime. The anti-Government forces of the Sudan People's Liberation Army have turned the South of the country into an inaccessible battleground, and the President has alienated many sections of the community. Talk of coups and new governments is now open.

If the present regime falls, the introduction of Islamic law last September will be seen as the beginning of its end. Not only did it take the Sudanese people by surprise, but also the country's closest allies, Egypt and the U.S., who see Sudan as an important bastion of Western-orientated stability against Libyan and Soviet designs in the Horn of Africa.

Meanwhile, finance companies and banks are reviewing their position in Sudan following the imposition of Islamic laws. It is widely acknowledged that the flow of risk capital vital to the country's economic future may dry up.

Under the new law lenders are required to share the risks of a venture, gaining profits in a partnership rather than interest on a loan. The law is also based on the notion that money has no value in relation to time—and thus ignores concepts central to the principles of Western banking.

Lenders in Sudan are now forced to operate under the principle of *murabaha* by which, instead of lending for purchase of plant and equipment, they purchase the goods themselves and re-sell to the borrower at a higher price which includes the equivalent of interest.

But under murabaha, no contract can be made until the goods are available for sale, so a finance company must extend capital before any agreement is reached. If the prospective buyer later decides not to take the equipment or its delivery is delayed, the lender is left with the goods, but no redress.

The system may be effective in a genuine joint venture or in a short-term trading position where money is exposed only briefly, but Sudan requires both the type of highly technical equipment for which there may be no alternative buyer and development finance over the long term. Delays and disorganisation in the country are chronic, so there is a potential hazard even after a contract has been agreed.

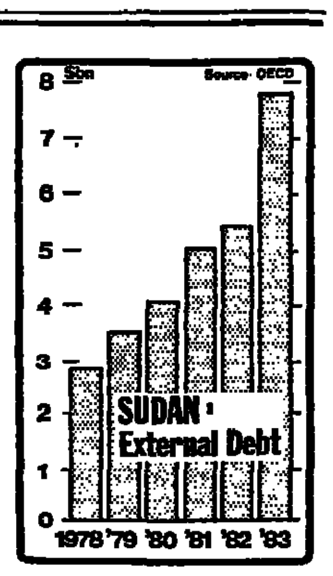
There is no provision for rescheduling debts which cannot be repaid due to production delays, so the risk is likely to force lenders to increase the interest-equivalent in their prices. The cost of capital is expected to rise, perhaps making unviable some highly technical projects.

The abolition of limited liability has made the Islamic partnership idea even more dangerous, according to development financiers. Although Sudan's Companies Act of 1925 has not been specifically amended and limited liability companies can still be set up, the Civil Transactions Act passed in February will take precedence in areas of conflict.

In the event of liquidation, creditors will be able to go to shareholders for payment. Banking and finance officials in Khartoum say that this is causing alarm abroad which may simply persuade companies to withdraw from the country if the risk of losses seems high.

Businessmen are as yet uncertain as to how the laws will be implemented, and a lawyers meeting to discuss the matter was curtailed by the declaration of a state of emergency.

Interest is still being charged although it it technically illegal, and the climate is becoming increasingly confusing. As one chief executive said: "If people don't understand how they are going to be compensated for efforts and money they won't put it in. There are plenty of places to invest. Why invest here?"



Troops rush to clashes in Bombay

BOMBAY—Fresh Hindu-Moslem clashes flared in southwest India yesterday and Prime Minister Indira Gandhi heard first-hand accounts of the recent slaughter.

The fighting has killed more than 100 people in five days.

As army reinforcements rushed into a suburb of Bombay, Mrs Gandhi flew to the industrial town of Bhiwandi, 60 miles to the north, and visited a gutted farm house where 20 bodies were found on Saturday.

The owner of the house told the Prime Minister that a mob, armed with swords and staves had launched the attack, stabbing and bludgeoning the victims.

"They then dragged the people out, poured kerosene over them and set them alight," he added.

Police tallied 105 dead and more than 300 injured in the fighting. They had no figures yet for the latest outbreak.

Accompanied by her son and political heir-apparent, Rajiv, Mrs Gandhi consoled some of the 6,000 refugees who have lost their homes in the riots. Hundreds of people gathered in the streets to hear her promise that the Government would take firm action.

Sections of Bhiwandi, normally populated by about 500,000 people, have been razed to the ground in the battles between enraged Hindus and Moslems.

Fears of sectarian violence have dominated two days of by-elections for assemblies in 14 of India's 22 states, which Indian newspapers have said are an important test for Mrs Gandhi's ruling Congress (I) Party.

Four people were killed and more than 40 injured in clashes between rival party workers on the first day of polling on Sunday, the Press Trust of India (PTI) news agency reported.

Tight security has been imposed at voting stations in at least seven states to prevent new outbreaks of political unrest.

Mrs Gandhi must call national parliamentary elections by January next year when her term of office expires.

Mrs Gandhi appealed for peace and religious tolerance. "It is the poor who always suffer," she

Reuter

Guinea Bissau backs leader

CONSTITUTIONAL changes approved last week in the West African state of Guinea Bissau have reinforced the authority of head of state General Joao Bernardo Vieira and the gradual strengthening of ties with the west, Peter Blackburn, reports from Abidjan.

A new constitution was approved by the National Assembly to replace the one suspended after the military coup 3½ years ago. It keeps the same Marxist orientation but abolishes the post of Prime Minister. The assembly elected Gen Vieira chairman of a 15 member council of state to replace the revolutionary council that has ruled the country since November 1980. He is expected to form a new government shortly.

Seiko launches pocket colour television

BY ROBERT COTTRELL IN TOKYO

SEIKO, the Japanese electronics group, yesterday demonstrated what it claims is the world's first pocket colour television set with a liquid crystal screen.

The LC screen incorporates a "thin film transistor" (tft) type display, Seiko says several other Japanese electronics companies have developed tft technologies, but Seiko believes it has a two-year lead time in adapting the display to the mass production of televisions.

Seiko's product, called "My Channel" in Japan, features a two-inch screen and weighs 450 grams. It will be priced at Yen 84,800 in Japan ($500 to $550). Marketing begins in August. Seiko says it hopes to sell 30,000 units in Japan, and the same again in the U.S., by next spring.

The "My Channel" succeeds Seiko's wristwatch-sized black-and-white television, which also incorporated a liquid crystal display. Seiko now plans to cease production of the TV Watch, which the company says has sold 70,000 units since it was introduced in December, 1982.

At the same time, Citizen, another Japanese manufacturer, plans to introduce on June 25 its own miniature black-and-white liquid crystal television set, called the "Citizen Pocket," weighing 275 grams and priced at Y36,800.

A Seiko spokesman said yesterday that the company is "just starting in a new technology area" with its "My Channel," and that other related products would probably follow.

He said the company would hope in the future to reduce its manufacturing costs and so bring retail prices down, he said the current model of "My Channel" is adapted only to U.S. and Japanese signal reception. A European-type model would available in two years' time.

Zimbabwe in further move to curb money supply

BY TONY HAWKINS IN HARARE

ZIMBABWE yesterday moved to curb money supply growth by tightening bank liquidity ratios for the second time in as many months. Their liquidity ratios were raised further to 40 per cent with effect from June 21.

At the end of March, commercial and merchant banks were told to increase their minimum liquid assets from 30 per cent to 35 per cent of their liabilities to the public, with effect from May 1.

The March 27 tightening of Zimbabwean exchange controls included the temporary embargo on remittances abroad of profits, dividends, rents, and some interest payments. This and the associated purchase of domestically-held foreign securities has generated an inflow of funds to the banks and necessitated further measures to tighten control over the money supply.

Testimony fuels doubt over official line on Aquino death

BY EMILIA TAGAZA IN MANILA

THE fact-finding board investigating the assassination of Mr Benigno Aquino, the Philippine opposition leader, entered a crucial stage yesterday when it began questioning the five military escorts who were guarding him when he was shot at Manila International Airport. Yesterday, the board called in Lieut Jesus Castro, head of the security escorts.

Although Lieut Castro testified that he did not see Mr Aquino being shot, his five-hour testimony helped the board establish what it believes is a fairly accurate sequence of events from the time the escorts led Mr Aquino from the plane, and bolstered proof it already had.

The board, headed by former Justice Corazon Agrava, has established a fair degree of credibility among Filipinos who generally suspect President Ferdinand Marcos Government and the military for complicity in the assassination.

Poltical observers said the board may present a finding that says Mr Aquino was not shot by a communist gunman. They doubt, however, that the board will pinpoint the assassin.

Reuter reports: One week after a crucial national assembly election, Filipinos still do not know the complete make-up of the legislature they elected.

The latest unofficial count by the National Citizens' Movement for Free Elections (Namfrel), an independent watchdog body set up by business and church groups, showed 73 of Mr Marcos's ruling New Society Party (KBL) candidates elected, against 47 Opposition winners. In the remaining races, 28 KBL candidates were ahead while opponents led in 35 races, according to Namfrel.

WORLD TRADE NEWS

U.S. curbs on Soviet trade upset Finns

By Our Trade Staff

FINLAND'S electronics industry is worried about the consequence of renewed American efforts to crack down on trade in high technology products with the Soviet Union and its allies.

Mr Timo Relander, the new managing director of the Confederation of Finnish Industries, said in London yesterday that the industry, which was highly dependent on supplies from the U.S., had been discussing the question recently.

"We are a little bit afraid of what will happen in the future," he said. But he emphasised that Finland had not been subject to any special pressure.

Following the recent seizure of computers illegally bound for the Soviet Union, the U.S. Administration had stepped up surveillance of the Nordic countries and other suspected staging posts such as Austria and Switzerland. The Pentagon has been given authority to review export licence applications for sales to some of these countries.

Finland has long had closer trade ties with the Soviet Union than any other European country outside Comecon. About a quarter of its exports are to the USSR. But this trade is declining relative to trade with Western Europe, partly because Finland feels it has reached its capacity to absorb reciprocal Soviet sales of oil and other raw materials.

David Brown adds from Stockholm: The Swedish Foreign Ministry has ordered a cargo of advanced American-made electronic equipment — discovered and impounded early this year while being smuggled to the East bloc — to be sent out of the country.

The equipment, which has been declared by the Government to be "war material," is now being shipped to an unspecified company in France which originally delivered it to a Swedish company in January.

Moments before its scheduled departure last Friday, the consignment was unexpectedly offloaded from a French truck and subject to a final verification by customs authorities.

The cargo is thought to include computer/optical devices needed to build advanced integrated circuits.

Swiss exports of chemicals surge ahead

By John Wicks in Zurich

EXPORTS OF the Swiss chemical industry have been growing rapidly this year so far, according to a report issued by the trade association SGCI in Zurich. In the first quarter, foreign sales went up by as much as 14.4 per cent to some SwFr 3.24bn (£1.02bn). At the same time, chemical imports—many of which are further processed by Swiss companies—rose at a rate of 14.9 per cent to SwFr 1.95bn.

The sharp growth in exports is due not only to the overall improvement in the world economy but also to the lifting of crop-acreage restrictions in the United States. Largely as a result of this change in American agricultural policy, Swiss exports of agro-chemicals jumped by 55.5 per cent in the first three months to SwFr 289.8m.

The SGCI annual report says that last year turned out better than had been expected: a 4.6 per cent rise in industry turnover arose largely from an increase in chemical exports by 5.8 per cent to just over SwFr 11.5bn.

However, the association expresses considerable concern at the balance-of-payments difficulties of a number of important customer nations

Japanese increase diesel car sales to Western Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAPANESE MANUFACTURERS have increased substantially the number of diesel cars they send to Western Europe, according to an analysis by Chase Econometrics, the London-based industry information consultants.

Faced with restrictions on the volume of cars they can send to many European markets, the Japanese have been trying to push up the value per vehicle. Diesel cars cost more than those with petrol engines.

The Japanese already produce about half the world's small diesel engines, not only those for cars but also those for marine, agricultural and industrial applications.

Chase Econometrics says: "The technology of the latest Japanese diesels is highly advanced, with electronically controlled fuel injection and turbo power much in evidence."

Chase Econometrics has built up a detailed database of car sales statistics in Europe, known as EPV. It compiles statistics for each country as soon as they are officially available.

The statistics show, for example, that in Belgium, where the Japanese have built up a market share of about 23 per cent, the proportion of Japanese cars sold with diesel engines has been increasing even faster.

Nissan's diesel car sales have jumped from 20 per cent to 40 per cent of the company's total between the last quarter of 1982 and the same period of 1983.

One in four of the Toyota cars sold in Belgium is now diesel powered, against 13 per cent in 1982.

"French and West German car makers will be watching the Japanese progress carefully," Chase says.

Volkswagen of West Germany is the leading diesel car producer in Europe and sold over 1m diesel versions of the Golf between 1978 and 1983.

Peugeot depends on diesels for 50 per cent of its sales in Belgium and has much to lose from the Japanese build-up in that market.

Ford of Europe has only recently entered the small diesel car business with the production of a 1.6 litre diesel at its Dagenham plant in the UK for fitting to the Fiesta and Escort models. Over £100m ($138m) was spent by Ford to put the engine into production.

Saudia, Boeing in talks over large order

By Michael Donne, Aerospace Correspondent

SAUDIA, THE Saudi Arabian airline, is understod to be negotiating with Boeing of the U.S. for a major purcase of Boeing 747-300 "strethced upper deck" Jumbo jets.

The numbers of aircraft involved are not disclosed, but one report has suggested that Saudia may be interested in as many as 10 aircraft, worth over $1bn.

The airline currently has a long-haul fleet primarily consisting of some 11 Jumbo jets and 17 Lockheed TriStars. Many of the latter have been in service for some time, and will need replacing in the last half of this decade. ... ...

...Saudia is believed to be discussing delivieries from 1985 onwards.

The stretched upper-deck Jumbos would have a seating capacity of 392 passengers, and they woud be used on routes to Europe, North America and the Far East.

Channon begins Moscow talks

Mr Paul Channon, Britain's Trade Minister, and his Soviet counterpart, Mr Nikolai Patolichev, yesterday began talks aimed at increasing trade in machinery for the oil, consumer goods, machinery and paper industries, the Tass news agency, said, AP reports from Moscow.

Mr Channon arrived Saturday on a seven-day visit leading a delegation that meets with Soviet trade representatives each year.

Britain had a trade deficit with the Soviet Union last year of £475m, compared with £52m in 1982.

Western diplomats said Channon would ask Moscow to buy more British goods, particularly machinery, to help ease the deficit.

Ozal flies to Libya

Mr Turgut Ozal, the Turkish prime minister, flew to Libya yesterday evening at the start of a three-day official visit to boost Turkish exports and resolve problems over a $700m payments backlog to Turkish contracting companies working in the country, David Barchard reports from Ankara.

Brock says U.S. buying more Third World goods

By Peter Montagnon in St. Gallen, Switzerland

U.S. IMPORTS of manufactured goods from developing countries should rise to about $60bn this year, nearly twice what the whole industrialised world spends on overseas aid, Mr William Brock, President Reagan's chief trade adviser said here yesterday.

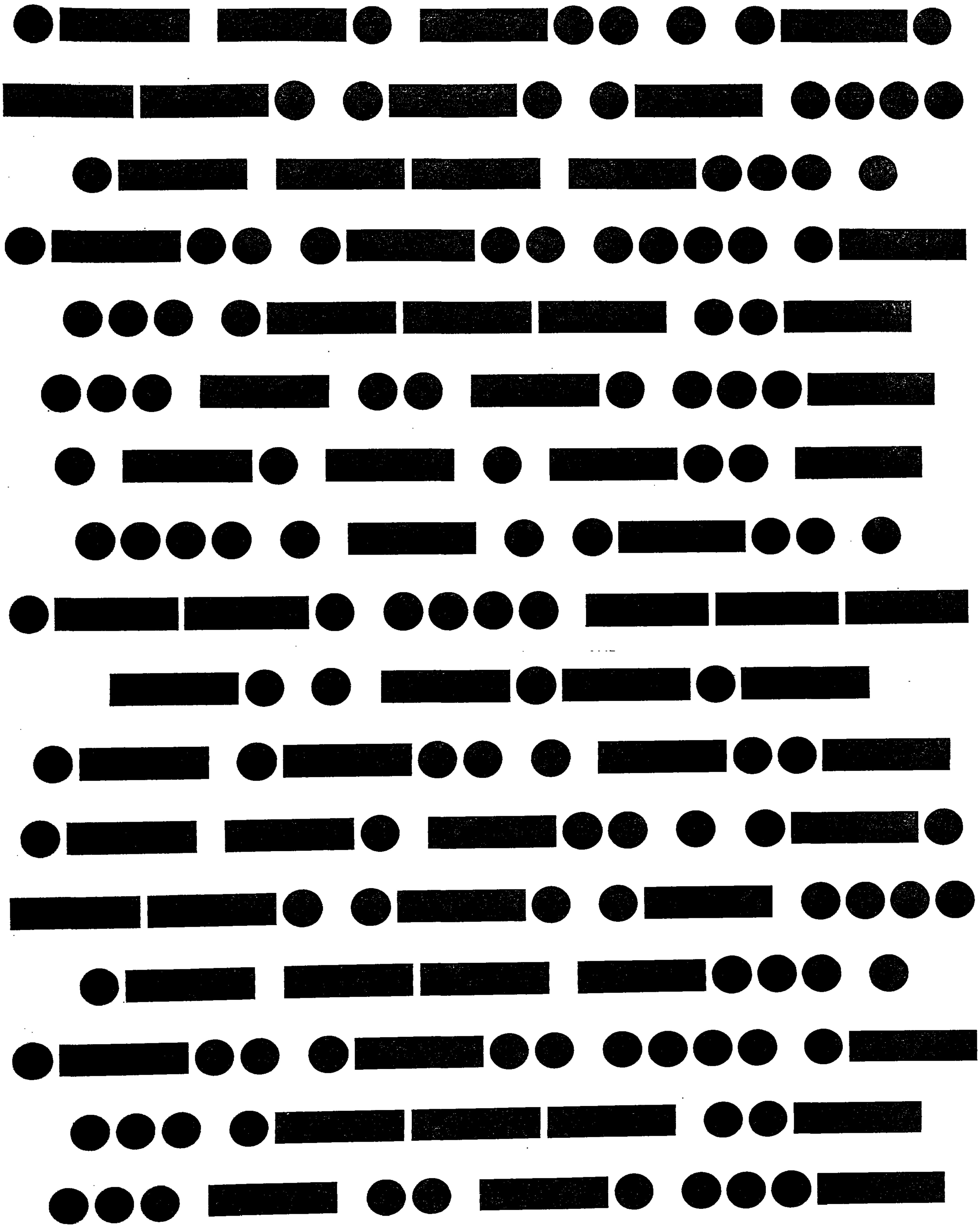
This is a sharp increase on the $36bn spent by the U.S. on developing countries' goods in 1982 which was still half the manufactured exports of those countries, he said.

An end to trade restrictions was essential if developing countries were to be able to repay their debts.

"It is an act of insanity to say to a debtor country that it can pay its debts if we don't buy its product," he told an economic seminar organised by the St Gallen Graduate School.

Mr Brock singled out Japan for discriminatory trade practices. It was only taking 10 per cent of developing country exports. "That can and must be improved," he said.

Increased flows of direct investment and policies designed to improve capital formation were also needed



UK NEWS

Pit dispute contributes to economic slowdown

BY PHILIP STEPHENS

BRITAIN'S ECONOMIC recovery slowed in the first three months of this year as the fall in consumer spending and the miners' strike hit output of goods and services.

The Central Statistical Office (CSO) said yesterday that the output measure of gross domestic product grew by only 0.2 per cent in the first quarter of 1984 to give a provisional index value of 103.5 (1980 = 100).

The almost flat performance contrasted with revised figures showing that between the third and fourth quarters of last year the index jumped by nearly 0.9 per cent. Between 1982 and 1983 as a whole the rise was 2.4 per cent.

The figures were below most City of London expectations but not entirely suprising in view of earlier data showing that the recovery in industrial output stalled earlier this year.

At the same time a 1 per cent fall in consumer spending in the first quarter was reflected in a slight drop in distribution output.

The impact of the miners' strike was felt in the energy sector where a fall in production offset some increases in other industries, the CSO said.

Dr Paul Neild, chief economist at broker Phillips & Drew, calculated that the strike had reduced the index by around 0.25 percentage points over the three month period.

Despite some disappointment with the figures, however, most analysts still believe that the economy is on target to achieve real growth of around 3 per cent this year.

Recent statistics have shown a strong pick-up in consumer spending since the end of March, while exports and investment are also showing strong signs of recovery.

The output measure of GDP traditionally grows less fast than the average measure on which the Government bases its economic forecasts. This includes data on incomes and expenditure as well as output.

Seamen to strike over privatisation

BY OUR LABOUR STAFF

THE NATIONAL Union of Seamen (NUS) is to stage a 48-hour strike in protest over the privatisation of the Sealink ferry service.

No date has been set for the strike, but Mr Jim Slater, the NUS general secretary, said it would take place mid-week, probably next month, to avoid inconveniencing holidaymakers.

Mr Slater said: "We want to get the support of the public. We are determined to keep Sealink in the hands of the public and the taxpayer. This is intended as a warning shot as far as the NUS executive is concerned."

The strike is expected to affect all sailings to the European Continent and to Ireland.

In his opening address to the NUS conference, Mr Slater said that the Trade Union Congress must wake up to what the Government was doing to workers in the public sector.

Coal strike peace attempt founders on eve of joint talks

BY DAVID BRINDLE, LABOUR STAFF

A MOVE to bring together the National Coal Board (NCB) and the National Union of Mineworkers (NUM) for talks on the 10-week coal strike failed at the last hurdle yesterday.

Arrangements had been made secretly through an intermediary for a meeting today at a London hotel. But the move foundered on the question of preconditions for negotiation.

Mr Ian MacGregor, chairman of the NCB, said: "We were asked by an intermediary, who had held discussions with both sides, whether we would be prepared to meet the leaders of the NUM without precommitment on either side.

"The NCB agreed and arrangements were made for a meeting tomorrow morning. We understood from the intermediary that the NUM could not give an assurance that they would withdraw their previous conditions."

Mr Arthur Scargill, president of the NUM, said the NUM had told the intermediary that the union was willing to meet at any time with the board to discuss the future of the mining industry, but was not willing to negotiate pit closures or job losses.

The coal board's plans for the closure of about 20 pits with the loss of an estimated 20,000 jobs led to the strike.

Mr Scargill said: "The coal board's decision to pull out of tomorrow's talks should show not only mineworkers, but the British public as a whole, that the culprit responsible for this dispute, which is costing taxpayers £25m a day, is that butcher of British industry, Mr Ian MacGregor."

Mr MacGregor said it was untrue that the NCB had refused to attend the talks. "We were willing to have discussions without preconditions. We remain willing to do so – at any time."

News of the breakdown of the initiative overshadowed the efforts yesterday of Mr Stan Orme, the Labour Party's energy spokesman, to bring both sides to the negotiating table. Mr Orme said he had no magic formula for an end to the dispute, but hoped he could still be the catalyst for the start of talks.

Mr MacGregor, who did not appear enthusiastic about Mr Orme's endeavours, said: "Mr Scargill doesn't need any intermediaries. He can come here any time, provided he doesn't try to tell us what to decide before we meet."

● Miners who have continued to work in Lancashire in north-west England are to be suspended from union membership for five years, their NUM area executive decided yesterday. About 1,000 miners are likely to be affected by the suspension.

Mr Sid Vincent, area general secretary of the NUM, said: "We view it as a very serious offence to disobey a national instruction and a conference decision for a strike. We hope it might bring them round to our way of thinking. The fight we are fighting is their fight as well."

The Lancashire miners originally voted two to one against a strike in a coalfield ballot. But after the area was split, with some miners on strike and others not, the area executive declared the strike official.

20th ANNIVERSARY

This year Nomura celebrate[illegible]
in the Square Mile. We lool[illegible]

THE FUTURE

1984

1981

Nomura establishes a [illegible] regist[illegible]
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Europe and to meet growing de[illegible]
for the whole range of financial ser[illegible]
including both securities and bank[illegible]
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is our complete securities ser[illegible]
which includes brokerage and tra[illegible]
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growth.

1973

Nomura reorganises the London and Amsterdam branches into a new company, Nomura Europe N.V. with the head office in Amsterdam and its branch in London.

Nomura Europe was the first company incorporated in Europe by Nomura, and its establishment represents an epoch-making accomplishment in Nomura's London history. As is well-known, the intricate European market is the most international and liberalised of the world's financial markets. Nomura however had been forced to restrict its activities in Europe because the company was governed by Japanese laws which prohibited companies from combining securities and banking activities. But with the establishment of Nomura Europe, we realised our first opportunity to undertake activities which took full advantage of the merits of the European market. At this time, through the addition of merchant banking functions, Nomura was able to embark on the road to becoming a full financial services company.

1970

Nomura upgrades the London representative office to branch status.

This development was in response to six years of successful growth in operations as well as changes in investment demand. The major purpose of the change was to enable Nomura to place more emphasis on sales activities. At the time the European financial markets were in the midst of very rapid growth with direct procurement and accumulation of capital from the United States as well as Eurodollars and oil dollars. Against this backdrop, Nomura went on to show enviable growth.

1964

Nomura Securities initiates operations in London with the establishment of a representative office.

We established our international base the very first year after our founding with the opening of an office in New York. Following this, Nomura continued during the 1950s and 1960s in the active expansion of its sales network with the opening of offices in Europe and Asia. The opening of our London office signaled the first step in Nomura's advance into the European market.

UK NEWS

Groups fail to agree terms for launching British dishwasher

BY CARLA RAPOPORT

AN ATTEMPT TO break the importers' grip on the British market for dishwashers has run into trouble.

Five leading UK appliance makers have failed to agree on a plan to form a consortium to make the first all-British dishwasher. The only machines available in Britain at present are imported.

One of the five companies, Servis, has withdrawn from talks after eight months of fruitless negotiations, leaving Hoover UK, Hotpoint, TI-Creda and Thorn EMI.

It is still possible that the four – or even an individual company – may decide to press ahead.

All agree, however, that even if a bargain were struck tomorrow, at least 10 to 12 months' work would be needed before the proposed factory was in production.

In the meantime, importers are expected to strengthen further their hold on the market. Imports jumped by almost 70 per cent last year after five years of little growth.

About 7 per cent of UK homes now have a dishwasher and increasing purchases are expected to push this figure up to about 15 per cent by 1990.

The main problem blocking agreement among the consortium members appears to have been the difficulty of producing enough models from a single joint factory to suit all the companies' marketing and design needs.

"It's not an easy thing when everyone is competing," said Mr Brian Turpin, commercial director at Servis. "Everyone wants his own knobs and buttons."

Hotpoint and Hoover are both optimistic that some investment decision, involving one or more of the remaining four, can be reached by the end of this year.

Mr Jeff Sampson, managing director of Hotpoint, is particularly eager for progress. "But I can't say how we're going to do it. Marketing problems are clouding how the manufacturing decisions will be made," he said.

Unions tempted into 'no-strike' deals

BY BRIAN GROOM, LABOUR STAFF

BRITISH TRADE unions are increasingly willing to sign agreements which aim to prevent strikes, particularly in new foreign-owned high-technology factories.

A survey to be conducted by the Electrical and Plumbing Trades Union (EPTU) is expected to reveal deals by a number of unions which fall short of a firm no-strike pledge, but contain procedural devices aimed at averting disruption.

Some agreements require grievances to be settled by independent, binding arbitration if another avenues fail, such as a deal reached by the General, Municipal and Boilermakers' Union (GMBU) 18 months ago with the Norwegian-owned NEK Cables in Washington New Town, North East-England.

"I would bet my next month's pay that every major union in the country has signed deals like this," said Mr Tom Burlison, GMBU regional secretary.

The EPTU executive has ordered its research department to investigate deals done by other unions in an attempt to show that it has been unfairly singled out in the growing row over its own "no strike" deals with Toshiba, Sanyo, Inmos, AB Electronics, and Hitachi.

That argument will come to a head at the Trades Union Congress at Brighton in September, when left-wingers are expected to try to commit the TUC to opposing no-strike deals.

Most of the deals aimed at curbing disruptions involve right-wing unions, such as the GMBU and the Amalgamated Union of Engineering Workers. Interest will focus on what the EPTU can pin on its main critics, such as the Transport and General Workers' Union (TGWU).

All major unions are believed to have offered Nissan procedural agreements to discourage disputes at the car plant it will build at Washington, and the TGWU has offered to seek a way of avoiding disruption for which ever contractor does the civil engineering works there.

TGWU dockers in the once-militant port of Liverpool have agreed that disputes aboard one ship should not spread across the port, as was once frequent.

Engineers, boilermakers, and other unions at Tyne Ship Repair in South Shields and Wallsend have a four-year-old deal pledging not to strike, in return for guarantees on job security.

Many unions, however, are likely to argue that their agreements fall well short of the far-reaching new EPTU deal at Hitachi in Hirwaun, South Wales, which states that all disputes must be resolved "without lockouts and without any form of industrial action."

Many of the EPTU deals end in binding arbitration, often of the "pendulum" type, in which an arbitrator must come down wholly on one side or the other.

Not all employers want arbitration because it would allow an outsider to decide their wage costs.

Many deals by other unions are in a grey area, not ruling out disputes but having sophisticated procedures for resolving grievances peacefully or limiting disruption. Rosyth naval dockyard has an agreement allowing key personnel to continue working in a dispute.

NSK Bearings of Peterlee, north east England, has a seven-day "cooling off" period before industrial action can be taken if negotiations, and conciliation or arbitration by Acas, the conciliation service, cannot resolve a dispute. Other companies have cooling off periods ranging from five days to three weeks.

The EPTU will also examine single union deals which, while not restricting strikes, make other concessions which the EPTU believes go further than its own, notably in the canning industry.

Thatcher presents Anglo-Dutch awards

BY JAMES McDONALD

A LAGER BREWER and an exporter of plant tissue technology were among the winners of Anglo-Dutch awards for enterprise presented in London yesterday by Mrs Margaret Thatcher, the British Prime Minister.

The awards, created by the Netherlands-British Chamber of Commerce three years ago, were given to eight companies, four Dutch and four British, in large and small company categories.

In the Dutch sector for a large company, the winner was United Dutch Breweries Breda-Oranjeboom, with a certificate of merit for Schiphol Airport, Amsterdam.

Job Creation of Holland won the small companies award for its work in creating small enterprises. The runner-up was Logica BV, computer software manufacturers.

In the British sector, the large company winner was Twyford Plant Laboratories, the biotechnology group based at Somerset in south-west England. It is a world leader in plant tissue culture technology. Over 90 per cent of its products are exported, with a large part going to the Netherlands. The runner-up in this category was Rumenco, specialist feed supplement manufacturers at Burton-on-Trent in the English Midlands.

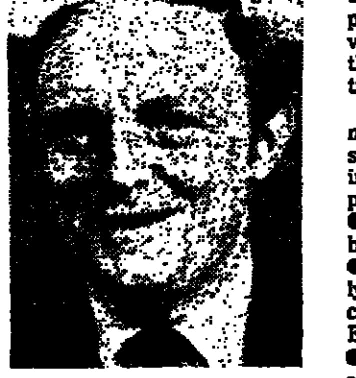
Denny Brothers Printing, of Bury St Edmunds, Suffolk, won the small company award for its "Fix-a-Form" labelling system and the runner-up was Hire Foulis, a plant hire company.

Labour seeks election verdict on Government

THE LABOUR Party is treating the European elections as its second chance to fight the 1983 general election. This is clear from its manifesto (policy document), which restates in even broader and simpler terms many of the themes of the 1983 election manifesto.

It was emphasised by Mr Neil Kinnock, the party leader, at yesterday's press conference to launch the manifesto. The election, he declared, would be a verdict on the Thatcher Government and on Labour's efforts to show after the 1983 debacle, and the self-inflicted wounds that preceded it, that "we are back on our feet marching to the next general election, whenever it may be."

As in 1983, the party *singles out* unemployment and job creation as the biggest single campaigning issue. The fundamental change in its



Mr Neil Kinnock

policy on Europe – the relegation of withdrawal from the EEC from an urgent commitment to merely one of several options – is mentioned only on the penultimate page of the manifesto.

The manifesto blames EEC membership for speeding up Britain's economic decline. "It has cost Britain jobs; it has helped to reduce our standard of living," it says.

The framework of policy for the European elections it adds, is set by the programme on which Labour fought the general election. "However, our programme is not static." It would respond to current problems and concerns.

Britain, the manifesto says, will remain an EEC member for the term of the next European Parliament. "At the end of that time, Britain will have been a member of the EEC for 15 years – and this will be reflected in our pattern of trade, the way our economy works and our political relations overseas. But we also recognise the fundamental nature of the changes we wish to see made in the EEC and that its rules may stand in the way of a Labour government when it acts to cut unemployment.

"It is in this context that we believe that Britain, like all member states, must retain the option of withdrawal from the EEC."

Pressed on this point yesterday, Mr Kinnock said the next Labour government would base its decision on whether Britain should stay in the EEC on two considerations: whether it was possible to "get the burden of the food bill off British backs"; and whether it would be possible to stem the outflow of jobs and investment from Britain.

But, he added, the years of EEC membership had altered Britain's trading and economic relations and the party would have to calculate carefully where the advantage to Britain lay.

Mr Kinnock said that if fundamental reforms could be achieved in the EEC's spending patterns – such as a massive transfer from agricultural spending to spending through the regional and social funds – Britain's advantage might well lie in a bigger overall EEC budget though there could be no increase in its net contributions.

On the question of the EEC budget, the manifesto insists that the issue of UK contributions is a necessary, but only preliminary hurdle. "The real issue is how the money is spent," it says. "The real crisis is about jobs and industrial decline."

"What Britain needs, and what the people of Europe need, is a strategy that gives priority to rebuilding and reinvesting in our countries. And unless the reforms we demand are carried through, Labour is not willing to consider any call for Community resources to be increased."

The "real" issues in the elections, the manifesto insists, are unemployment, health and social services, industrial regeneration through investment and modernisation, and food prices.

Priority is given to unemployment. The manifesto calls for a sharp increase in EEC spending on industry and jobs and sets out a 10-point plan:

- Public spending on housing, urban renewal and transport.
- Investment in industry, especially high technology industries and co-operative ventures such as the Esprit programme and the Airbus.
- Encouragement of work co-operatives
- Investment in training and retraining, especially for young people, women and blacks.
- Investment in depressed regions.
- Investment of North Sea oil revenues in Britain.
- Refusal to join the European Monetary System "which would make British goods even less competitive than now," while pressing the rest of the EEC to accept "the sensible planning of trade so as to protect economic expansion."
- A 35-hour week without loss of pay.
- A new energy policy, including development of the British coal industry.
- Industrial democracy, as set out in the Vredeling proposals.

The "attack on the welfare state," which figured so prominently in Labour's 1983 campaign, is set in a European context. "In Britain, as in Europe, the crisis brought on by reactionary Tory governments threatens not only our jobs but also our social services and our democratic freedoms."

The manifesto insists that the British National Health Service, created by Labour, must not be destroyed. It calls for improved social service benefits, equal opportunities for women, environmental protection, defence of wildlife, better public transport and wider democracy, including repeal in Britain of the 1972 European Communities Act.

The manifesto calls for a new food policy, based on a fundamental reform of the Common Agricultural Policy. The new policy, it insists, must put an end to high food prices; lift the burden of agricultural subsidies from the shoppers; end the system of farm support that leads to food mountains and open the Common Market to cheaper food from elsewhere.

The reforms should also, it says, guarantee a decent living for farm workers and farmers who work in the worst conditions, protect Britain's fishing industry and safeguard the environment.

Tories say Britain strengthens Europe

The Conservative and Labour parties yesterday published their policy documents for the European elections. Voting takes place in 79 UK constituences on June 14 – the Tories won 60 seats and Labour 17 at the last election. Peter Riddell reports on the Conservatives' policy and (left) Margaret Van Hattem describes Labour's.

A STRONG assertion of Britain's interests within the European Community and opposition to any moves towards a federal Europe form the centrepiece of the Conservative Party's manifesto for the European elections.

At a press conference in London to launch the party's manifesto (policy document), "The Strong Voice in Europe," Mrs Margaret Thatcher, the Prime Minister, claimed that it was "the Conservative Government which is fighting for Britain's interests in Europe and which believes both in Europe and in a strong British voice and representation in Europe."

She said: "The Euro-fanatics want to see the British character submerged in Europe. Not this party. We believe Britain has a contribution to make to Europe just because we have our own distinctive national history and character.

"The Euro-phobes want to see *Britain out of Europe. Not this party.* We believe Britain is stronger in Europe and Europe is stronger because Britain is in."

The manifesto contains little that is new. It primarily consists of a defence of the Conservative record since 1979, coupled with caution about new institutional developments.

On the EEC budget, the manifesto to mainly stresses what has been achieved so far, rather than the continuing disagreements about Britain's contribution and the distribution of expenditure.

Mrs Thatcher gave no hint yesterday about any breakthrough in the talks ahead of the next EEC *heads of government summit* at the end of June, apart from referring to "a reasonable hope of getting a deal soon."

She said that the £2bn received so far was "an earnest of good faith" and a "good reference for negotiations in the future." She noted that a further £457m rebate had been agreed but not paid.

The manifesto claims that Britain has won agreement that there must be a fairer Community budget system. "We have won Community agreement that there must be effective and guaranteed control of spending, including agriculture."

On the monetary side, the Conservatives "support the objectives of more stable exchange rates and financial conditions."

The manifesto says: "The question of sterling participation in the exchange rate mechanism of the European Monetary System (EMS) remains under regular review. We should only take that step when the conditions are right, both for us and for our partners. We support the increasing commercial use of the European Currency Unit in Community trade and finance."

At yesterday's press conference, Sir Geoffrey Howe, the Foreign Secretary, refused to say when conditions might be "right" for sterling's full entry into the EMS. However, he did note that "increased stability in terms of relative inflation rates is taking us in the right direction."

Sir Geoffrey denied any link between EMS and the budget controversy. He pointed out that, as a petro-currency, sterling had been subject to particularly wide variations since 1979. If sterling had been in EMS since then "the number of parity changes would have been very substantially larger than those that took place." But conditions were "progressively getting smoother."

The manifesto is cautious about suggestions for strengthening the collective decision-making of the EEC. "We welcome practical reforms in the workings of the Community institutions. But we do not support attempts to force the pace of institutional reform, especially in ways which might jeopardise the defence of genuinely vital national interests or which would not command the necessary degree of common agreement and public support."

In particular, Mrs Thatcher made it plain yesterday that she wanted to retain, where necessary, the principle of unanimity on the Council of Ministers. She wanted "to keep the veto as now. It should not be weakened in any way. It is important for Britain to have the veto to have a greater influence in Europe."

Similarly, Mrs Thatcher said she opposed any increase in the powers of the European Parliament. "The balance is right at the moment. Most of the major decisions are agreed separately by our governments."

Mrs Thatcher specifically rejected suggestions for a European army or a European defence community. She stressed that defence should be discussed through Nato.

The Prime Minister sounded lukewarm about proposals made elsewhere in Europe for enhancing the European dimension in the context of the Western European Union. She said she was "perfectly happy" for these talks to continue if they strengthened European consciousness and added to the cohesiveness of Nato.

The manifesto lays particular stress on removing obstacles to trade in both goods and services within the Community, together with the enforcement of fair Community competition rules.

Britain, it says, will strive to:

- Eliminate costly delays and bureaucracy at frontiers within the Community.
- Make public purchasing more open and competitive.
- Create a common market for financial and other services, which is particularly important to Britain as the financial centre of Europe.
- Promote faster progress towards mutual recognition of proper professional qualifications.
- Agree a definite and detailed timetable for the removal of non-tariff barriers to trade."

The manifesto also pledges that Britain "will promote common efforts on research and innovation in, for example, information technology, will encourage training programmes for the new technology industries, will seek to remove obstacles to joint European ventures and investment, will continue to support Europe's aerospace industry, and *will support Community efforts to* rationalise traditional industries such as steel and shipbuilding on a fair basis."

Action on energy conservation and the environment is also mentioned. The manifesto says Britain will work for the elimination of lead in petrol for new vehicles by 1990 and for more research to find practical answers to the problem of acid rain.

On agriculture, the manifesto says that "Conservatives recognise the benefits of secure food supplies and more stable prices brought about by the Common Agricultural Policy (CAP) and the part the policy has played in easing difficult social changes in the countryside."

It adds: "But the CAP has become the victim of its own success. We must tackle the problems of costs and surpluses now so that it can be placed on a basis which will safeguard the future of a healthy agricultural industry, and preserve the quality of our rural heritage.

"Our new system of budgetary discipline, combined with the package of measures agreed by agriculture ministers in March this year, marks a significant reform of the operation of the CAP and a first major step towards control of agricultural spending."

UK NEWS

Oil depletion 'unlikely to harm economy'

BY PHILIP STEPHENS

PREDICTIONS THAT Britain will face an economic crisis as its oil reserves are depleted are likely to prove groundless, the City University business school says in its latest economic forecast.

In an optimistic review of prospects for the economy during the rest of this century the business school says that the rundown in oil reserves will be accompanied by a reversal of the "de-industrialisation" which has occurred since the mid-1970s.

Even the most pessimistic assumptions for oil production and government oil revenues imply no major crunch for the economy, it argues.

The expected fall in oil production will, however, lower the growth rate of the economy as a whole, with the direct impact on gross domestic product (GDP) exacerbated by an increase in the real sterling cost of energy and raw materials.

Turning to the outlook over the next few years, the review says that economic growth is likely to remain strong, but will slow next year before reviving later in the decade.

Inflation is likely to be held at about present levels for the next two or three years by a slowdown in real earnings growth which should offset the impact of smaller productivity gains.

There are, however, substantial risks that inflation could pick up momentum because of the laxness of the Government's money supply policies, it says.

Consumer expectations of inflation have deteriorated significantly since last autumn, and these expectations have a habit of coming true, not least because they form the basis of wage bargaining.

The business school predicts a small fall in unemployment next year, but it expects much faster reductions later in the decade as real earnings stabilise and output continues to grow.

● Rising interest rates could threaten the investment and recruitment plans of small companies the Confederation of British Industry (CBI) said yesterday.

Commenting on its latest survey of trends among smaller businesses, the CBI said confidence which continued to improve had been overshadowed by interest rate fears.

BCal in bid to win Milan service

By Michael Donne, Aerospace Correspondent

BRITISH CALEDONIAN, the independent airline, is making another bid to win a scheduled service licence between Gatwick and Milan.

Its application is to be heard by the Civil Aviation Authority in London today. British Airways, which flies to Milan from Heathrow, is opposing the bid.

This will be the fourth attempt by BCal and its predecessor British United, to win the Milan route – the first was made in 1962 and further bids, all unsuccessful, were made in 1973 and 1979.

BCal's new application stresses the importance of developing Gatwick as an airport for connecting flights. It points out that of the 235 destinations served from London's two airports 199 can be reached from Heathrow, but only 107 from Gatwick.

BCal claims that if it is allowed to fly the Gatwick-Milan route, the impact on British Airways' Heathrow-Milan operation would be minimal.

BCal already flies to Genoa, and makes frequent charter flights to Milan. If given the route, it would expect to win about 15 per cent of the overall London-Milan market within three years.

Companies hold the brakes on tea and coffee prices

BY RICHARD MOONEY

THE COST of a cup of tea or coffee is to remain stable for the time being, in spite of a recent steep fall in tea auction prices and an equally steep rise in coffee futures prices.

A 20 per cent fall in London tea auction prices over the last four months might have encouraged members of the tea set to hope for a substantial reduction in shop prices. The tea companies point out that this fall was from a record level which was never fully reflected in the retail price.

Coffee drinkers, on the other hand, might well be relieved that a 20 per cent rise in the last month on the London coffee futures market has not yet forced instant coffee makers to lift their prices. Their relief could be short-lived, however, unless commodity prices for coffee fall substantially from the current 6½ year peak.

The jars of coffee on supermarket shelves at the moment will have been made from beans bought some months ago at relatively low prices. If current bean prices hold, the manufacturers will have no option but to raise their selling prices proportionately.

London futures prices for coffee are more than 40 per cent up from a year ago but some of this rise has already been reflected in the shops – so far this year the price of a 100 gramme jar of Nescafé has risen 17p to 125p.

Tea market prices have risen even more steeply. Between April 1983 and last Christmas the average price at the weekly London auction went up some 80 per cent to around 250p a kilo.

Then came India's announcement that it was halting exports of CTC (crush, tear and curl) tea in an attempt to bring down prices on its domestic market. This led to a new surge at the London auction which took the average to a record 317p a kilo in January.

CTC is the type of tea favoured in the British market for its quick-brewing qualities.

The Indian export ban was lifted a week ago, but by then the price had already subsided to its Christmas level and further substantial falls are not anticipated.

The auction price rise has been reflected in a 30 per cent rise in retail prices for packet tea. PG Tips, Britain's favourite brand, now sells at around 48p for 125 grammes, up from 32p in April 1983.

For both tea and coffee, raw materials costs represent around 70 per cent of the selling price.

Leaving aside the temporary Indian ban, the main cause of the dramatic increase in tea prices has been a gradual switch in the balance of supply and demand. For the last 10 years consumption increases have been running ahead of output increases by 1.5-2 per cent a year, and in 1981 annual world consumption actually overtook annual production.

The main reason for the fast rise in consumption has been increased usage in producing countries, notably India, reflecting population growth and increased prosperity.

If this trend continues a further upgrading of the retail tea price must be on the cards. This will not be welcomed by the UK tea companies, which are already looking over their shoulders at the instant coffee producers, who are steadily eroding tea's traditional dominance of the £1.2bn a year British beverage market.

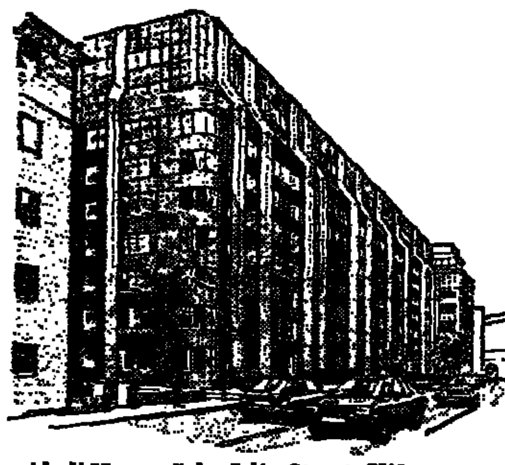
At 100m cups a day British coffee consumption is now around 50 per cent of tea's compared with about 18 per cent 10 years ago.

For their part the coffee makers are equally anxious to maintain this progress and will do all they can to avoid widening the price differential against tea.

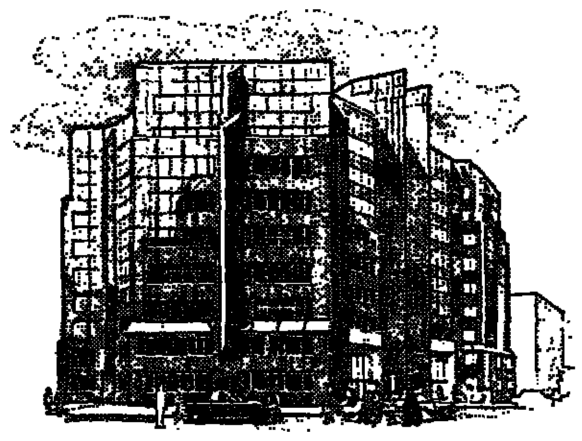
It is as yet too early to assess the effects on consumption of the two beverages of this year's retail price rises. Brooke Bonds has not noticed any fall off in sales but it is wary of reading too much into this as there is a tendency for consumers to respond to a rising market by stocking up their larders.

If this has been the case with tea, larder de-stocking could result in a significant, though temporary, decline in shop sales later on.

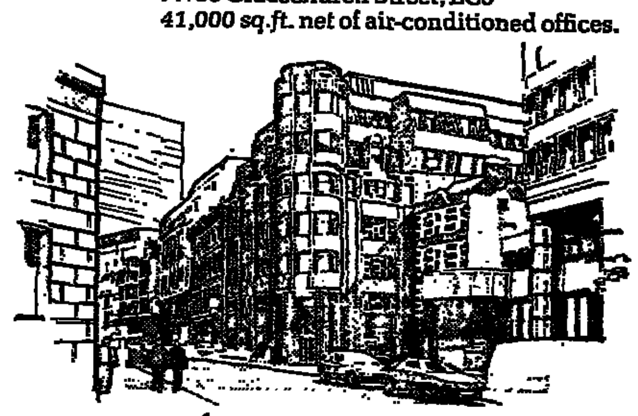
Over one million square feet of air-conditioned office space in Central London developments



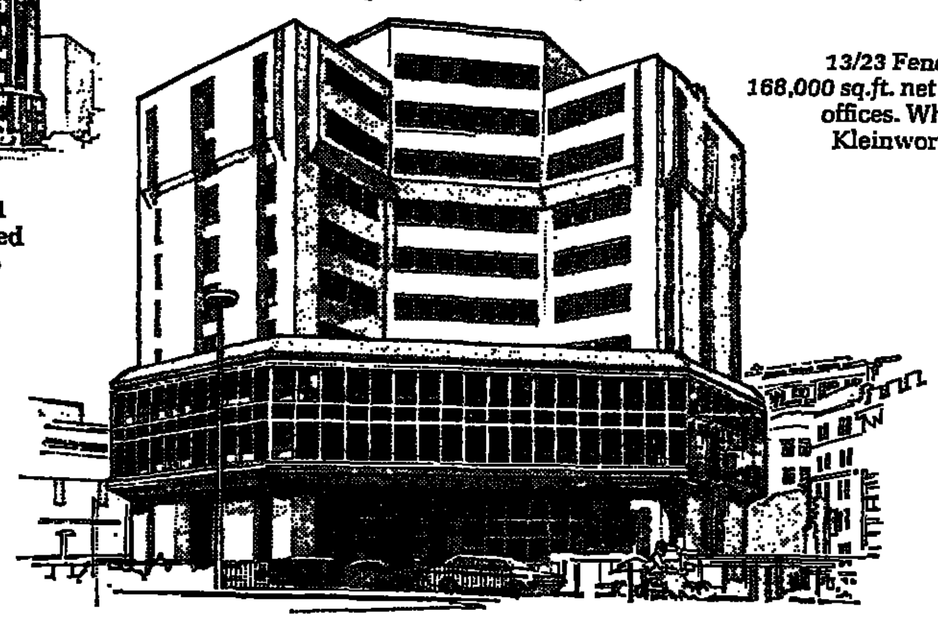
Abell House, John Islip Street, SW1
129,200 sq.ft. net of air-conditioned offices.
Whole building under offer.



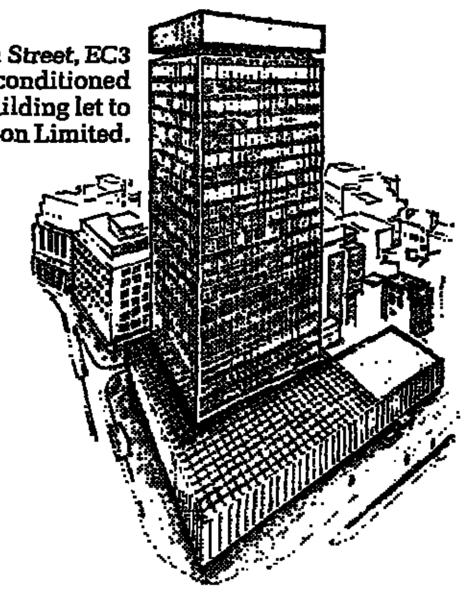
Cleland House, Page Street, SW1
101,500 sq.ft. net of air-conditioned offices. Whole building re-let to *the Secretary of State for* the Environment.



77/80 Gracechurch Street, EC3
41,000 sq.ft. net of air-conditioned offices.

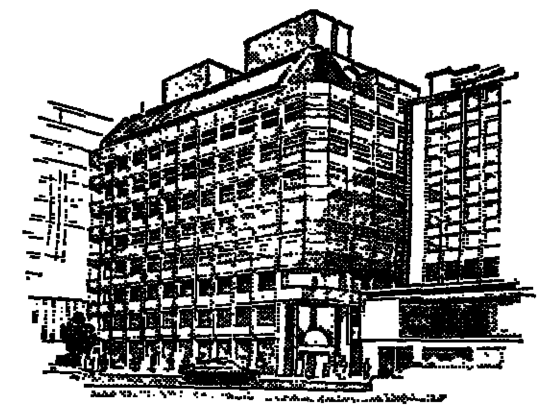


33 King William Street, EC4
130,840 sq.ft. net of air-conditioned offices.
Whole building let to S.G. Warburg & Co. Ltd.



13/23 Fenchurch Street, EC3
168,000 sq.ft. net of air-conditioned offices. Whole building let to Kleinwort, Benson Limited.

Devonshire House, Piccadilly, W1
155,000 sq.ft. net of air-conditioned offices.
Will divide.



6/12 Fenchurch Street, EC3
51,000 sq.ft. net of air-conditioned offices.

Cromwell House, Dean Stanley Street, SW1
24,900 sq.ft. net of air-conditioned offices.

Land Securities

Abridged summary of Results for the Year ended 31st March, 1984

	Increase %	31.3.84 £'m	31.3.83 £'m
Total Income	5.4	137.7	130.6
Of which: Rental Income	8.8	116.1	106.7
Net rents and Interest Receivable	4.5	103.7	99.2
Net Income before Taxation	7.4	84.0	78.2
Taxation	2.1	33.3	32.6
Earnings after Taxation available for Distribution	11.2	50.7	45.6
*Dividends per share paid (2.357p) and proposed (4.910p)	10.0	7.267p	6.607p
*Earnings per share	8.1	10.23p	9.46p
Dividend cover – times		1.41	1.43

*where appropriate, adjustments have been made to reflect the two for five capitalisation issue authorised in November, 1983

The Knight Frank & Rutley valuation of the portfolio as at 31st March, 1984, which valued each property individually and in its present state, totalled £2,188.4m, an increase of £160.7m over the valuation at the previous year end. During the period expenditure on properties amounted to £77.2m and the aggregate book value of properties sold was £52.4m. Accordingly, the surplus on revaluation is £135.9m, an increase of 6.6% (1983: 6.4%).

The valuation has been included in the Accounts at 31st March, 1984, and without adjusting for any taxation payable in the event of the properties being sold, the consolidated net assets of the Group at that date amounted to £1,890.3m, on which basis, the fully diluted net asset value per share is 377p.

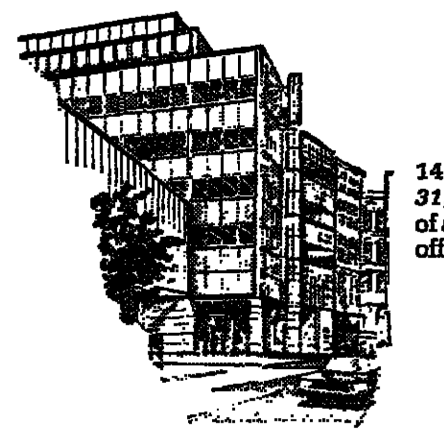
The results for the year reflect the comments made in recent Directors' Reports on the effect upon net income of the major redevelopment programme. This will continue and, whilst income will be receivable in respect of 33 King William Street and 13/23 Fenchurch Street during the year to 31st March, 1985 only an insignificant contribution is to be anticipated from other developments.

The present development programme contains over one million square feet net of air-conditioned office space in Central London, half of which is let or under offer.

At 31st March, 1984 Group short term funds were £50.9m and capital commitments £55.9m, the latter expenditure to be phased over periods of up to two years.

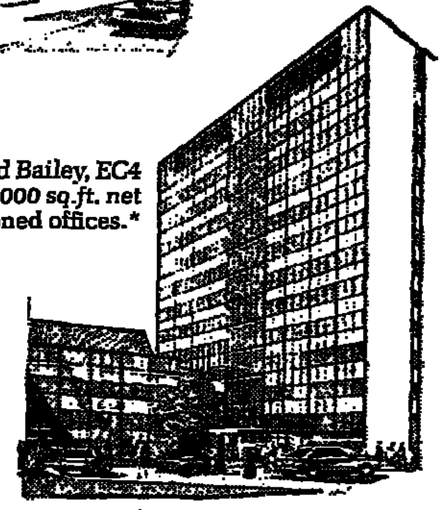
The full Report of the Directors and the Accounts for the year containing an unqualified Report by the Auditors, a detailed property portfolio review, a list of the Group's major property holdings and illustrations of major City, West End and Victoria Schemes will be distributed to Shareholders on 6th June, 1984. Non-shareholders who would like a copy are requested to write to The Secretary:–

LAND SECURITIES PLC Devonshire House, Piccadilly, London W1X 6BT

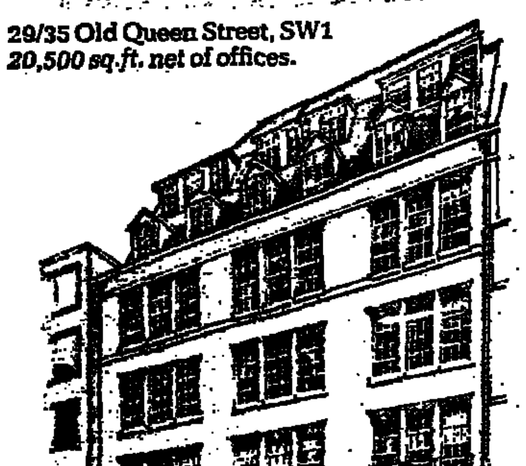


14 Philpot Lane, EC3
31,000 sq.ft. net of air-conditioned offices.

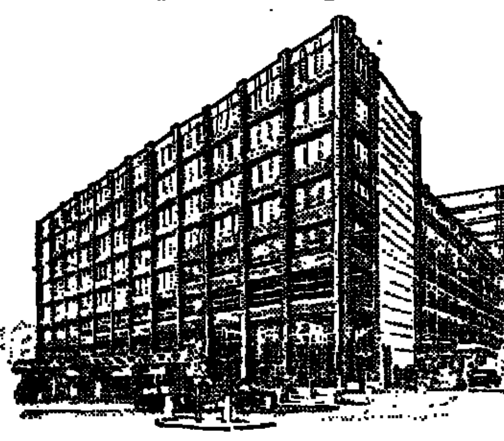
29/35 Old Queen Street, SW1
20,500 sq.ft. net of offices.



26 Old Bailey, EC4
*65,000 sq.ft. net of air-conditioned offices.**



5 Old Queen Street, SW1
11,700 sq.ft. net of air-conditioned offices.



50 Ludgate Hill, EC4
*118,500 sq.ft. net of air-conditioned offices.**

* *These two buildings comprising 183,500 sq.ft. net of air-conditioned offices could be let together.*

THE ARTS

A surreal Rigoletto

The first major event of the 47th Maggio musicale fiorentino, directed for the first time by Luciano Berio, was *Rigoletto*. As all the world must know by now, the staging by Yury Lyubimov became the focus of much pre-première Florentine scandal, and thereafter of even more national and international scandal.

On the evidence of the third performance, it was hard to see exactly why. The exiled Russian theatre director and his designer, Stefanos Lazaridis, conceived an enactment of the piece against a highly fantastic, surreal background that would be out of place in the average opera house repertory, being too particular in slant and too limited in range to survive the repeated hard usage by changing casts and conductors that would probably make its limitations uncomfortably apparent. As a festival presentation, and despite a musical realisation a good deal less out of the ordinary, it seemed to be a *Rigoletto* striking, imaginative, and beautiful, one to leave its mark on the memory for days afterwards.

In *Rigoletto* the theme of disguise as a vehicle for the depiction of deeper moral and emotional confusions makes its first important appearance in Verdi (it's a theme he was to develop, in various forms, throughout the rest of his theatrical creation). Lyubimov's production made me think harder about this theme than any previous *Rigoletto* had done. The stage of the Teatro Comunale held neither conventional Mantuan settings nor the altered, modernised variations of locale that have been recently in fashion; instead — main cause of all the brouhaha — its space was hung in a great arc with mannequin faces of Don Quixote, the *Don Giovanni* three maskers, and other "significant" characters; but as from my seat, and from most in the hall, it was impossible to catch these details, any intended significance was entirely lost.) But that this was a deeply serious production, devised with an originality of viewpoint which never at any point descended to mere perversity or a desire to "do something different" at all costs, one was on this occasion left in no doubt.

Among the more important upsets on the way to the first night had been the defection of two conductors, first Giuseppe Sinopoli and later Bruno Bartoletti, and also that of Piero Cappuccilli, the originally scheduled Rigoletto. Hans Graf, a young German conductor of evident experience and competence, did very well to keep so complicated a stageful of singers on a firm rein, and to elicit vivid if not immaculate contributions from the Maggio orchestra (particularly the wind) and chorus. But even after surviving his baptism by fire Mr Graf had not yet arrived at a performance that was more than a capable accompaniment of singers and stage manoeuvres;

As it stood, the list of principals was entirely composed of non-Italian names. The title role went, finally, to an Austrian baritone, Georg Tichy, of considerable conviction and musicality but insufficient power or animal intensity for the big denunciations. Kurt Rydl was a burly, bumpy-voiced Sparafucile, Livia Budai a vivid and touching Maddalena. The Duke and Gilda were both Czechs, though Peter Dvorsky has evidently determined upon turning himself into an archetype of provincial

Max Loppert reports on a Florentine scandal

dolls variously costumed, some in 18th-century formal attire, some elaborately robed in the manner of earlier periods, some masked and figured like "devil dolls" from an antique theatre tradition — the costumes, by Lazaridis and Johann Engels, were in themselves, and in their dramatic contrasts of colour, a thesaurus of brilliant theatrical device.

The movement of these dolls and the beams of light upon them set up a framework of shadowed, dream-haunted suggestiveness against which the deceptions and self-delusions of the libretto could acquire a new and disturbingly powerful intensity. The play of the main characters remained, by contrast, largely faithful to Llave, and largely successful in its simplicity in spite of a few quirks, and inevitable moments when the disparity between what was seen and what was said began to jar. Gilda, whom Lyubimov claims as a Verdian precursor of Chaikovsky's Tatyana, descended from a side-stage spiral staircase and later displayed in "Caro nome" her lambent emotional innocence while gliding gently upon a large swing (as raptly romantic in effect as the one in the Lazaridis-designed ENO *Rusalka*, though it provoked a few murmurs from an otherwise absorbed and temperate Florence audience—the alarums and excursions of the première were, happily, a thing of the past).

Inevitably, there were losses. One missed, despite strong insistence from the producer (in a programme interview) to the contrary, the powerful undercurrents of political and social irony that should form each response to each one of the characters—and which, *pace* Jonathan Miller and Lyubimov himself, are usually most sharply achieved in "old-fashioned" productions and 17th century settings. (I'm told that some of the more prominent dolls carried the Italian-tenorism — most of his singing denoted, in fact, a disappointing coarsening since his Covent Garden *Rigoletto* some years back. The most heartfelt audience enthusiasm was lavished on Edita Gruberova's heroine, but I continue to find her an uneven singer; just as one had given up wondering whether there was anything more to her than neatness, glassy loud notes, and colourless soft ones, along would come a phrase of such exquisite lightness, a floated high note of such effortless purity, that all of Gilda seems summed up in it. Like the whole show, she was wanting in musical finish; but I'd have been sorry to miss either.

*

For opera travellers in Italy, *Rigoletto* in Florence and *Aida* in Venice a few nights later—the first performance of a 1978 production substantially amplified and altered—afforded some nice contrasts. The Venice Verdi lacked all the excitement of the Florence; it was "house routine" — stock conducting from Eliahu Inbal; stock gestures from principals and chorus; production (Mauro Bolognini), designs (Mario Ceroli), and choreography (Geoffrey Cauley) that moved from stock only to sound the depths of the ridiculous when ever any inventiveness was essayed. At times it seemed that everybody connected with the event had conspired to forget that *Aida* is about anything at all other than statuesque posturing.

Yet, for all that, it was not a waste of time; for two singers in the cast not yet encountered in London—Nicola Martinucci (Radames) and Natalya Troytskaya in the title role—proved to be possessors of Verdi voices on a scale and of a sound-type which, in these days of desperate world shortage, were threatening to become little more than a sad, fond memory.

London Galleries/William Packer

Blackadder for the Tate!

One of the names that unaccountably I left out of my review in Saturday's paper of the Royal Academy's Summer Show was that of Elizabeth Blackadder, whose set of large still life paintings in watercolour is so spectacular a feature of the Large South Room. But no matter; for it so happens that round the corner in Cork Street, she has filled the Mercury Gallery with much more of her recent work, (until June 16) an exhibition which warrants rather more than passing notice.

For the case which it urges upon us is that Miss Blackadder is not merely a distinctive and delightful painter, but one of the very best we have still at work. She has been working steadily now for some 30 years, and if her talent was always apparent, she has continued nevertheless to apply herself to it, so to grow and develop in her work. She has been getting all the time, and is now a mature artist at the height of her powers, which fact is gratifyingly reflected in the enthusiastic support her work elicits from those (an ever-increasing number) who know it well.

But there is support and support, recognition and recognition: it is all very well to enjoy a virtual sell-out (you will need to hurry to be successful this time), quite another to have that practical and immediate success given some general critical and, more to the point, curatorial confirmation. Old prejudices, and habits of the eye and mind, die very hard, and we live in an age still bedevilled by the expectations of self-conscious modernism in its more puritanical and over-serious aspects, the integrities of significant form, abstraction, mark and surface to be preserved at all costs against insidious, hedonistic indulgence.

It is a long time since Bonnard and Matisse were called to account for the sublime irrelevance of being too bourgeois in their interests and imagery; and still how hard it is for Miss Blackadder, the painter of cats and flowers, of boxes, fans and bric-a-brac, who compounds her offence moreover, by her preoccupation these 10 years past with the inferior techniques and effects of water colour, to be considered at her worth by so many of those whose job it is to know, and see, better.

But her essential preoccupations, far from being merely peripheral to more serious issues, are quite as much engaged with the central debate that is going on in modern painting as are those of any of her contemporaries. And seen against the work of so many much vaunted painters of the new expressionism, with their heavy symbolism, ponderous images and clotted surfaces, her own, serious as it is, lightens and refreshes the spirit as it does the eye.

Her images are realised, and established within the space they occupy, with scarcely an over-scrupulous punctilio but rather a sufficient description and a deceptively easy assurance: and immediately, without any contradiction, they throw us back at once from image and light and space onto the flat surface, and to that more direct and physical engagement with mark and touch, colour, pigment, medium, pattern, design at its most abstract. The still life is spread out across its table top like a map or plan of campaign, leading the eye to dance across and through its many spaces, stopping here to take in the lush wash of colour across the fan's back, here to savour a golden square of Chinese paper, here a bright thread of silk.

Elizabeth Blackadder

With her flower pieces her world tilts through 90 degrees, and we move not so much across as into the surface, through a forest of leaves, fronds and petals: and still we accept that surface as it is, simply a support for delicate and allusory veils of colour. There is no false gesture, no empty or gratuitous finesse, no histrionics: it is simply painting at its purest and its most seductive. It is certainly work of museum quality, and some of the larger works, the splendid still life with flute that dominates the lower gallery, for example, could hold their own in any company. There is as yet nothing of her work in the Tate, nor anything in the Arts Council's collection.

*

Emma Sergeant, now showing at Agnew's (until June 1), is a young painter who seems to have moved as far and fast in three years as Elizabeth Blackadder has in thirty, at least in reputation, and the prices she can command: which makes the temptation to be scornful hard to resist. But the critic must be fair. What we see at Agnew's is interesting enough at least to deserve the show, and suggests considerable promise for development in the artist, if she gets the proper encouragement. That sold, the evidence is also clear that if she has not shown too soon, she has certainly shown too much, and, with the larger conversation pieces, and in a perfectly honourable sense, over-reached herself. For the large figure and portrait group, with the space fully understood and realised, is one of the most difficult undertakings the artist can ever set himself, and in so doing, Miss Sergeant finds herself unable to sustain the vigour of drawing and the freshness of handling that characterise so many of her drawings, studies and smaller paintings. It is more important to get the scale right than to get it big, which process needs time and experience and careful study. Miss Sergeant is no doubt beset of potential and persuasive clients, and at a crucial moment in her career: it is most important for her in having the pick of them, she picks with the greatest care in her own interest.

Cherkassky/Festival Hall

Dominic Gill

Cherkassky was on dazzling form on Sunday afternoon. He began his recital with Beethoven — tentatively, a loving, lyrical account of the first of the two *quasi fantasia* sonatas, its allegro molto magnificently caressed, the adagio tenderly unfolded, flower-like, and a gentle current even to the finale, for all its sparkle.

Schumann's *Etudes symphoniques* were full of quintessentially Cherkasskian sleights of hand. We know, for example, that the important bass line of Etude 2, barely audible at its first occurrence, will be rediscovered like a long-lost favourite toy at its repeat: it is, sure enough, and we share in the delight. There were many extraordinary visions and transformations: Etude 4, begun as a subtle mesh of chordal counterpoint, ended as a fierce argument, almost incoherent with anger. In Cherkassky's vocabulary there is no such concept as "repeat" — merely the opportunity to view the music once more from another point, another perspective. Etude 11 (which Cherkassky lengthened according to Schumann's later revision) was a perfection of Romantic piano playing, two voices caught in a dream, at once entirely free and wholly commanded, commanding.

The highest of three high points after the interval was a magical, satanic, absolutely marvellous account of Liszt's *Funérailles*, essay in pitch-black sonorities, with some half-pedal witcheries on the final chords that no other pianist but Cherkassky would even dare to imagine successfully. I loved his Berg sonata too, a ravishing performance dappled with sighing colours, its nostalgia warmly embraced. His Liszt paraphrase on the *Tannhäuser* overture is a sensational tour de force, cascade upon cascade, unerringly paced. The last I heard, Chopin's E minor Nocturne as an encore, had the audience holding its breath for fear of breaking the spell.

Architectural drawings

At the Building Centre (26, Store Street, London, WC1) until June 2 there is an interesting show of architectural drawings by contemporary architects. Many of them are for sale and for the first time there are prints of seminal modern drawings on offer to the public. It has been organised by the Manspace Gallery and includes the work of Norman Foster, Leon Krier, and Jeremy Dixon.

La traviata/New, Cardiff

Rodney Milnes

The Welsh National Opera's revival of Verdi's elusive opera introduces to these shores the American soprano June Anderson in the title role. Her voice, as audiences in Europe already know, is in many ways remarkable. The upper range is formidable: Violetta's high D flats (written) and E flats (unwritten) are thrown off with confidence and ease. Technical back-up is equally impressive, with the *fioriture* very clearly articulated. The tone is bright, forward and capable of considerable dynamic expansion—lucky the soprano who can field the agility required for the first act and then really hit "Amami Alfredo" in the second.

But, and here the reservations start, the slightly gritty tone is obstinately unvaried; there are few hints of expressive colour anywhere in the range, especially in the comparatively weak low register, and this is a serious drawback in the late 18th and early 19th century repertory in which Miss Anderson specialises and is received with such acclaim in Italy and Germany.

Reservations multiply when it comes to stagecraft. The initial advantage of a striking, tall presence is nullified by an acting style so superficial as, on this occasion, to reduce Verdi's three-dimensional heroine to the merest pasteboard. The forced gaiety of the first scene and the tragic demeanour of the later acts are *appliqué* from the outside with a limited range of calculated effects at which even Joan Crawford might have jibbed, and launching into "Gran Dio! Morir si giovane" while looking the very picture of rude health was one of many moments leaving the listener ultimately unsatisfied.

Not that Miss Anderson can have had much encouragement to delve deeper: the WNO staging is frankly dreadful, set in never-never-land H. M. Tennent décor and projected with all the truth of a confection by Ivor Novello. In such surroundings one can only praise Dennis O'Neill's very musically sung Alfredo (while passing over his wholly implausible characterisation) and Anthony Baldwin's thoughtful Germont (powerfully if a little unsteadily voiced). Julian Smith's conducting, admirably musical in intention, was too often lacking in the dramatic thrust essential in this, of all operas.

Pavarotti/Covent Garden

Max Loppert

In residence at Covent Garden to prepare for the forthcoming *Aida*, Luciano Pavarotti devoted Sunday evening to a concert of airs and songs in aid of Royal Opera House charities. The Prince and Princess of Wales led the notables in attendance; and the tight-packed house rose to the singer's white handkerchief, broad smile, widefiung arms and general air of bonhomie with shows of noisy approval as if to demonstrate that recent Pavarotti disappointments in London had been entirely forgotten.

The diva was in better form than when last heard here, though at first the voice sounded rather tightly produced in loud high phrases (of which there were a great many throughout the evening), and soft singing (as in Nemorino's romance) was not always smoothly elided into the passage of the music but trembled a little at the ends of phrases. The virtues of Pavarotti's singing have remained constant over a long period, and should perhaps be recalled here—traces of vulgarity are very few (perhaps the habit of closing a number in an applause-eliciting burst of tone should be counted one of them), lines are cleanly and strongly defined, words are always pronounced with beautiful clarity.

But traces of distinguishing or illuminating imagination, required with special urgency in a concert of this kind, remain on the whole elusive. One is tempted to list the various items rather than describe their performance, because Alfredo's "Deh, miei bollenti spiriti" came out just like Riccardo's "Ma se m'è forza perderti," and both of those like the *Luisa Miller* romance, the *Werther* strophes (in passable French) or the *Gioconda* reverie. Pavarotti sang Gluck's "Che farò?" in the proper tenor key of F, but made heavy weather of it.

In fact it was not until the encores, and particularly "O sole mio" and "Torna a Sorrento," that genuine warmth and freedom of style and touch seemed at last to stream from the platform. Garcia Navarro, in charge of the ROH orchestra, gave reasonable support all the way through, as he did (in Chaminade, Gluck and Rimsky-Korsakov) to the rather unremarkable young flautist, Andrea Griminelli, that the tenor had brought with him.

The Price of Coal/Nottingham

Michael Coveney

Life has not so much imitated art as overtaken it at the Nottingham Playhouse, where Kenneth Alan Taylor's first production since he became artistic director in January is unapologetically set in the present while remaining impervious to the miners' strike, the Mansfield rally and Mr Ian McGregor's arrival in Nottingham on Friday to assure those miners who have defied Mr Arthur Scargill that "They will always be taken care of."

The leading role in this stage adaptation of two old television plays by Barry Hines (shown in 1977) is taken by the TV comic Duggie Brown who surprisingly and sensibly resists the temptation to step downstage and tell a few gags at Mr Scargill's expense. He is a likeable presence on stage but a little underpowered as an actor for this large arena.

He plays Sid Storey, one of the few miners at Milton Colliery to dislike the idea of a visit to the coalface by Prince Charles. But the extremism is painlessly diluted in a string of jovial little scenes showing the absurd preparations for the visit: the planting of a tree, the petty snobbery of the pit manager (James Tomlinson), the smoothing over of rough edges both on the site and among the men.

At the same time, Sid Storey's domestic background is somewhat strenuously sketched in: loving wife and three children exchanging smalltalk while watching Derek Randall and Co. doing badly in a televised one-day game. The scene switches rapidly between the manager's office, Sid's home and surrounding area of work and play.

This sort of writing is really without the density appropriate for the stage. Despite an impressive design by Robert Jones of brick, steel, colliery prospect, offices and lounge, you feel for most of the evening as though you are looking through the wrong end of a telescope. The farcical preparations end with the royal helicopter landing. The mood changes drastically after the interval to concentrate on a disaster, heralded by a mighty explosion in the well-lit fissure across the stage floor that suggests we have moved underground.

This half contains more emotional suspense as the wives worry over who has been killed — Ellie Haddington is impressive here as Kath Storey, and the shadow of disaster spreads cancerously through the mine at all levels. But sombreness has been fatally confused with pacelessness. Overall, the first act is not funny or ebullient enough, the second devoid of the sort of Lawrentian tone and dignity I suspect the director was after. Still, the fate of a young miner screaming in agony while being lifted on to a stretcher, or the morose identification of victims by a signet ring or a green football sock, is powerful enough.

My favourite moment was when Miss Haddington turned on a persistent newspaper reporter in search of a sob story with the withering accusation that when the next pay rise goes on, he'll be more interested in "greedy miners" than in dead ones. A case, I suppose, of closing the coalhouse door after the hearse has bolted.

Saleroom

Lord Iveagh's sale of the contents of his English home, Elveden Hall, near Thetford in Norfolk, got off to an excellent start yesterday. Among the pictures a portrait of Adelaide Maria, Countess of Iveagh, painted in 1885 by George Hicks, sold for £120,000 to a London dealer as against a top estimate of £50,000, and in the furniture a set of four early George III mahogany hall chairs went for £34,560, well above forecast.

The first session of the four day sale totalled £972,872, suggesting that the overall estimate of £2.5m will be easily exceeded. Paintings by Herring Senior of horses were such in demand with "Emilius," the 1823 Derby winner, realising £30,000.

Among the nautical paintings a work by Bellevois of Dutch frigates, dated 1675, sold for £18,000, and a pair of sea battles by Thomas Luny fetched £36,000.

What makes the price for the Hicks, a record for the artist, so surprising is the fact that Christie's sold a replica last September at the Luttrellstown Castle sale in Eire for 48,000 Irish punts.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

May 18–24

WEST GERMANY

Hamburg Staatsoper: Die Entführung aus dem Serail returns, starring Mariella Devia and Peter Schreier. (351151).

Cologne Opera: Falstaff has Walter Berry in the title role. The Magic Flute is worth a visit with Margaret Neville and Thomas Thomaschke. Fidelio features Kathryn Montgomery-Meissner and Hermann Winkler. (20761).

Frankfurt Opera: This week's highlight is Tosca with Nelly Miricioiu making her debut in the title role and tenor José Carreras in the part of Cavaradossi. La Traviata has Nelly Miricioiu in the title role. Lulu, with a complete third act, has Nancy Shade in the title role. Doktor Faust is offered for the last time this season. (25621).

Stuttgart, Württembergisches Staatstheater: Hans Werner Henze's Don Quichotte; produced by Andreas Meyer-Henno, has Mario Brell in the title role. Philip Glass's Echnaton composed for the Stuttgart opera is produced by Achim Freyer. Counter-tenor Paul Esswood is outstanding in a cast of high standard. Also on offer, Figaro's Hochzeit. (20321).

Munich, Bayerische Staatsoper: Simon Boccanegra convinces thanks to Mara Zampieri in the title role. Die Entführung aus dem Serail brings together Edita Gruberova and Claes H. Ahnsjö. Salome has Strauss specialists Julia Varady and Gwyneth Jones. Der Troubadour stars Giorgio Lamberti. (21851).

Berlin Opera: The Berlin Theatre is offering a ballet-week including two premieres. The first is The Leaves are Fading, choreographed by Antony Tudor to music by Dvorak and a world premiere of Carmencita choreographed by Patrice Montagnon to music by the American Antonio Madigan, who also performs as guitarist. Also Echoing of Trumpets to music by Bohuslav Martinu. The choreographer is Antony Tudor. Soloists are Eva Evdokimova, Vladimir Gelvan, Lubomir Kafka and Jan Broeckz. (34381).

VIENNA

Lorin Maazel conducts a concert performance of Die Walküre with Hass, Jones, Ludwig, Lotte, Rysanek, Borowsky. Staatsoper (Tue).

Alban Berg ballet evening: Three Orchestra Pieces, Lyrical Suite and Violin Concerto. Choreography by For-

LONDON

Royal Opera, Covent Garden: L'elisir d'amore is the only opera at Covent Garden this week; the latest Donizetti revival marks the final public appearances of Sir Geraint Evans, and also includes in its cast Sona Ghazarian, Luis Lima, and Ingvar Wixell, with Gabriele Bellini (London debut) conducting (2401066).

English National Opera, Coliseum: Last performances of the season are the new production (dogged and dull to the eye) of The Sicilian Vespers, a rare Verdi middle-period opera lent lustre by the singing of Rosalind Plowright and Neil Howlett; and The Magic Flute with Rowland Sidwell and Valerie Masterson. (8363161).

Royal Opera House, Covent Garden: The Royal Ballet offers Romeo and Juliet and a triple bill.

Sadler's Wells, Rosebery Avenue: London Contemporary Dance Theatre season continues with two triple bills.

Dominion Theatre: Moscow Classical Ballet reconstructs an old ballet Natalie, the Swiss Milkmaid and a mixed bill.

Coliseum: London Festival Ballet opens on Tuesday with a run of Cranko's Onegin.

PARIS

Boris Godunov alternates with a new production of Gluck's Iphigenie en Tauride conducted by Gerd Albrecht, with Shirley Verrett in the title role and Thomas Allen as Oreste. Paris Opera (7425750).

Gyor Ballet is followed by Groupe Emile Dubois, post-modern choreography by Jean-Claude Galotta, with Ulysses as the high point at the Théâtre de la Ville (2742277).

NEW YORK

New York City Ballet (New York State Theater): 37 repertory works, including 24 by George Balanchine and 10 by Jerome Robbins, comprise the spring season, featuring this week Stars and Stripes and Le Tombeau de Couperin. Ends June 24. Lincoln Center (8705570)

American Ballet Theatre (Metropolitan Opera House). Ends June 16.

Falstaff/Norrlands Opera

Ossia Trilling

The first production at the 10-year old Norrlands Opera in the South Lapland university town of Umeå – Verdi's *Falstaff* – proved to be a model of its kind. It was staged by Tom Lagerborg, the Norrlands Opera's managing director, and conducted by Arnold Östman, one of the four founders of the ensemble in 1974. Östman is well known throughout Europe as an expert conductor of classical opera and a specialist in the baroque and late 18th century music. At the Drottningholm Court Theatre – where the King of Sweden has his second home – Östman has been director of its annual opera and ballet festival since 1980. From 1979, the year of its foundation, until he went to Drottningholm, Östman was head of the "Vadstena Academy", which specialises in modern and little-known ancient operas.

After conducting Cimarosa's *Il matrimonio segreto* both in Drottningholm and in West Germany, he helped the Cologne Opera to win the 1983 award for the year's Outstanding New Opera production at Sadler's Wells Theatre, when it was revived in the production that its director, Michael Hampe, manager of Cologne, had originally staged in Sweden. Östman is well-known in Paris, West Germany and Italy, where he has additionally won two Prix Italia awards for his two Swedish TV films: *Queen Christina* and *Gustav III*. He is making his Covent Garden debut in December when he takes over the baton for the current production of *Don Giovanni* and four months later he will be responsible for the musical direction of the Kent Opera's new production of *The Barber of Seville*.

Before then he will make a second return visit to Umeå to direct and conduct, in a dual role he is fulfilling for the first time, Gluck's *Orpheus and Eurydice*, with decor by the Swiss-born Swedish stage designer Hans Arnold. The three main roles of Orpheus, Eurydice and Amor will be sung by Carina Strandberg, Barbro Örtendahl and Monica Sjöholm, who sang three of the "Merry Wives" in *Falstaff*. As with *Falstaff*, for which the Umeå Sinfonietta provided a reduced orchestra of 40, the Gluck will have a mere 20 instrumentalists in the pit, and the "chorus" of supers – four in *Falstaff* – is being reduced to four singers and seven dancers, with choreography by Ivo Cramér, who has regularly worked in Drottningholm.

This is because like Kent Opera – with which Östman likes to compare the Norrlands Opera – the ensemble thrives on small-scale touring with occasional visits to the capital. I well remember an outstanding new work by the German-born Swedish composer Eberhard Eyser on a visit to Stockholm in 1976. It was called *Carmen 36*, set during the Spanish Civil War, and had the energetic Monica Sjöholm in the title-role – a notable example of contemporary Swedish music-theatre.

On Lars Österbergh's minimal stage and in Annsofi Nyberg's simple Elizabethan costumes the cast (headed by Karl-Robert Lindgren's sparkling, if hardly "fat," knight) sang and played with conviction. There was strong support on the distaff side, and Lars Tibell and Barbro Örtendahl gave a good account of the young lovers, with Helge Lannerbäck a woebegone Ford, Björn Haugan a burly Dr Caius, and Magnus Kyhle and Olle Sköld as the proletarian comics.

This comic opera was meant to be taken seriously in Lagerborg's scheme of things, and Östman, despite some surprisingly fast tempi, obtained a lightness and a fluency that gave the orchestral colouring full value while bringing out the score's essential Shakespearean qualities. All in all, an enjoyable performance, that should persuade the Swedish authorities to help Östman fulfil his dream of a second visit to Sadler's Wells next year.

Bauhaus / Brussels

Rob van Mesdag

School parties in Brussels are flocking to the Bauhaus, a travelling exhibition about the design form developed in pre-Hitler Germany and still popular today. One schoolboy, admiring a photograph of the PanAm building rising above New York's Grand Central station, said to his friend: "Much better than our Art Nouveau." No doubt he was taking for granted such vestiges of this art form as the planners of the city have not yet succeeded in destroying. But his remark illustrates how easily young people could – and can – appreciate what the idealistic German architect Walter Gropius had in mind, when in 1919 he and colleagues founded their Bauhaus, a school for design.

In his manifesto, issued at the time, explaining his views, Gropius felt that "unproductive artists" – meaning painters and sculptors – should in the most practical way join the ranks of those intent on building a new, modern world. To him art in itself was wasteful. It should, therefore, become integrated with technological progress. Art and function – of buildings, objects, homes – should be merged.

For this to happen, the exhibition explains, students of the Bauhaus were required first to discover the characteristics of materials, of metal, glass, paper, cloth; then to study the principles of colour and form. On display are compositions by Johannes Itten (1888-1967) of wire, rope and glass, made only to exercise the mind. Similarly, Josef Albers (1888-1978) illustrated how a sheet of paper could be cut and folded to become a column of intricately shaped "positive" and "negative" patterns.

Not until this basic, functional approach to materials had been understood did architects and painters such as Kandinsky, Klee, Moholy-Nagy, Mies van der Rohe, Schlemmer and, of course, Gropius himself, allow their pupils to proceed to the various workshops in the Bauhaus.

Here Gropius' ideals were enlarged upon and developed, causing an impact on the design and manufacture of practically every man-made product: from chairs to table lamps, from the printed word to a house or office.

Gropius fled from Hitler in 1934. In America he co-operated in the design of the PanAm building that the Brussels schoolboy liked so much.

Bauhaus, Musee d'Ixelles, Brussels, until September 9.

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Voting for the Community

IN THE first direct elections to the European Parliament in 1979 only 32.1 per cent of the British electorate bothered to vote—easily the lowest turnout in the European Community and about half the turnout in the referendum on continued British membership in 1975.

There were perhaps mitigating circumstances. They were, after all, the first direct elections to a Parliament of which few people knew what to expect, the British less than most. Not only was Britain a late entrant to Europe; the Labour Party for some time declined to take its place in the nominated Parliament and only participated in the direct elections after considerable internal debate. Above all, there had been an exhausting General Election campaign only a few weeks before.

This time it should be different. As all the political parties admit, it is the first real test of national opinion since the General Election a year ago. The results will be taken as a guide to how the parties stand at home, and indeed other member states are in a similar position. It is not only whether the British Labour Party keeps ahead of the Alliance in the percentage share of the vote that matters; it is also how the Socialists fare in France, the Communists in Italy or even the Greens in West Germany.

Again, continued British membership of the Community is no longer much in doubt. Although the Labour Party manifesto, published yesterday, maintains the option of withdrawal, it notes that by the time of the next general election Britain will have been a member for 15 years, which looks remarkably like coming to terms with staying in.

Unemployment

There is another way in which awareness of the Community has increased since 1979. It is the growing realisation that the member states have common problems, if in varying degrees. These are not all strictly political, nor are solutions easily identifiable on left or right wing lines. Yet the manifestos from parties of all complexions show a concern about the environment, pollution, energy and transport. None of these are matters which can be resolved in national isolation.

Over a whole range of issues European and national interests have begun to intermingle. The biggest are obviously unemployment and the management of the economy. Here again there is the beginning of a moving together of parties across frontiers. The Labour Party manifesto, for instance, proclaims its desire for rapid progress towards a 35-hour week without loss of pay, an idea shared by the German trades unions. The Tory manifesto is much more in tune with Herr Kohl's Christian Democrats in its stress on curbing inflation and restoring business confidence. The Alliance manifesto has a section on strengthening the rights of the European citizen that is in the best traditions of European liberalism.

Distinction

It is an open question how far voting in the European elections will further the achievement of any of these aims. The Parliament has little power to implement policy, though it has some to influence it. Its role lies in scrutinising what is being proposed and raising issues on its own account. It can, for example, draw attention to the extravagant nature of European air fares, abuses of human rights or the excesses of the common agricultural policy. If the Parliament did not exist, there would be almost certainly some demand to invent it.

Those who turn out in the elections may be torn between a desire to show their approval or disapproval of national parties, or to try to say something about the way they would like Europe to develop. Some people may think there is no distinction: party right or wrong, or perhaps simply the opportunity for a protest vote. Yet we would hope that as the campaign gets under way in the next week or so the parties will say more about the Europe of the future. The Tory and Labour manifestos, in particular, are a bit thin on detail with more than one eye on purely local concerns.

There is, after all, a difference between a Community where the member states pool their resources and one where they go fishing for what they can get.

A warning for Swiss bankers

THE SWISS electorate has unceremoniously thrown out the attempt to soften the country's celebrated banking secrecy. But nobody in Switzerland nor elsewhere should be under any illusion that the bankers' win in last Sunday's referendum was the end of the story.

Within the country debate will continue on the practical and moral issues. At international level friction, especially with the U.S., is liable to persist too.

Viewed from outside Switzerland, the key section of the proposal rejected by the electorate related to the evasion of foreign tax legislation and foreign exchange controls. Had the vote gone the other way, the Swiss authorities would have been bound to requisition evidence from the banks to support foreign judicial authorities investigating such offences alleged against their own citizens.

Haven

This matter has caused constant difficulties, especially with the U.S. American authorities suspecting that Swiss bank accounts are a convenient haven for American tax evaders. In France and Italy the authorities have reason to believe that the route around exchange controls often leads through Switzerland.

Berne has already made a number of concessions to international and domestic pressure. Bank secrecy may be lifted in cases of offences, both at home and abroad, against the criminal law and in cases of tax evasion where it is associated with the forgery of documents. The Swiss banks themselves, to avoid reprisals against their offices in the U.S., have asked clients to absolve them from the secrecy rules in cases of insider trading. Legislation is under discussion which would reinforce this trend by making insider trading an offence under Swiss law.

The Swiss authorities and banking community should take the outcome of the referendum not as a signal to abandon such reforms, but rather as a reason to complete them. Swiss banks should remain under pressure to publish consolidated accounts instead of only submitting them to the regulatory authority. There is a case for giving more formal standing to an existing gentlemen's agreement between the banks and the central bank. Under it, the banks undertake not to give "active" support to the illegal flight of capital from other countries and to take all care to identify their clients in order to avoid dealing with crooks.

Many thoughtful Swiss, who are by no means identified with the Social Democratic Party or other sponsors of the secrecy referendum, have for long been worried that flagrant abuse of bank secrecy is liable to give their country a bad name. The Swiss banking community would be wise not to ignore their worries now that the referendum has been lost.

It is in the bankers' own interests to avoid complacency because the political complexion of Switzerland changed in Sunday's referendum. The socialists were joined in their attempt to modify bank secrecy by the right wing Nationale Aktion (NA). In return, the socialists supported a proposal put on the ballot by NA which would have banned the sale of residential property to foreigners.

This unprecedented alliance failed to make progress with the banking referendum. But the other proposal came very close to getting through. It was the first time that NA had made a respectable showing. In addition to the anti-foreigner bias for which it is known, NA has a populist dislike of big business in general and of bankers in particular. So the banking community did not have it all its own way on Sunday.

Discrimination

As regards the substance of the referendum to ban sales of residential property to foreigners one can understand the widespread revulsion in Switzerland against the rash of chalets spreading over so many beauty spots. But that is something more properly controlled by zoning regulations than by a discriminatory ban.

Switzerland, more than most countries, is dependent on an open international system of trading and of doing business. Discrimination against foreigners will not serve its interests. Nor will its interests as a leading financial centre be served if the ethos of the Swiss banking system loses touch with the best standards accepted elsewhere.

'NO STRIKE' AGREEMENTS IN BRITAIN

A new deal, Japanese style

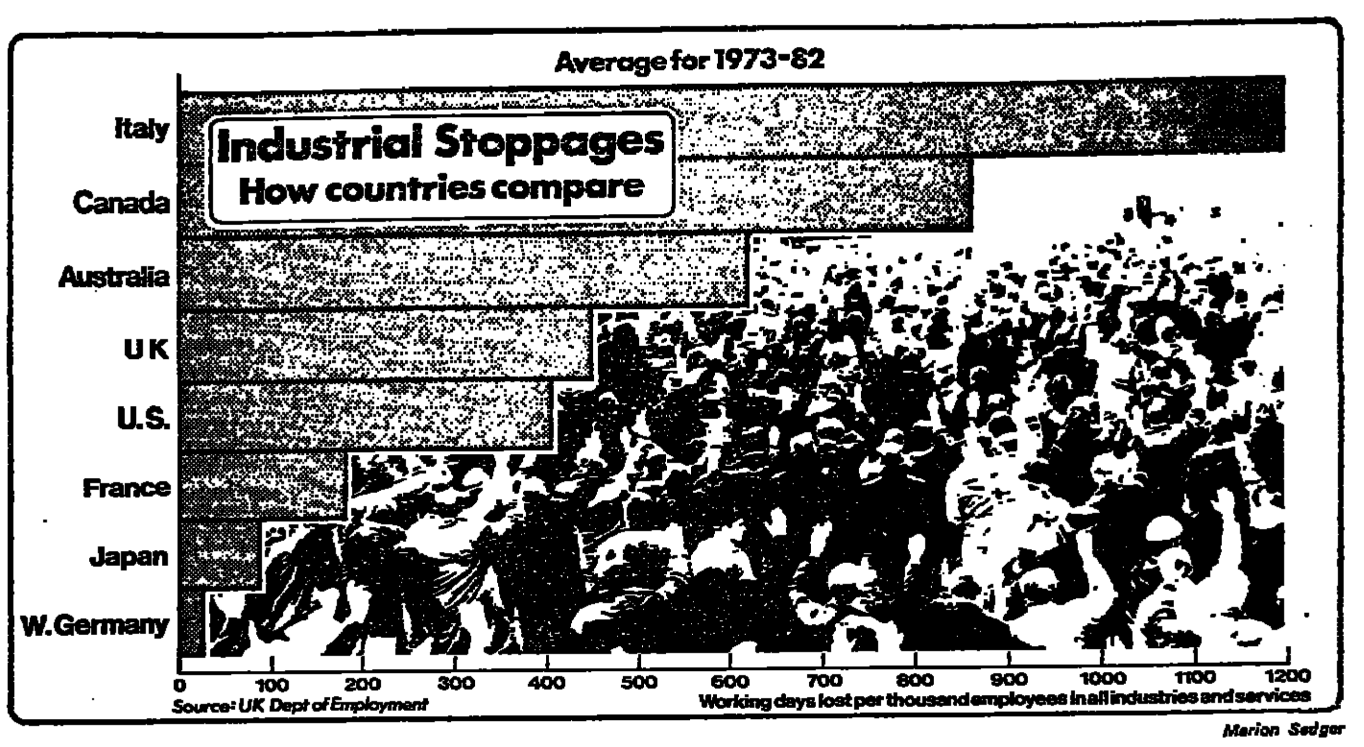
By Brian Groom

MR ROY SANDERSON, the British electricians' union official at the centre of a TUC row over his union's "no strike" deals, admires the way Japanese workers apply pressure to their employers without walking off the job.

"The first time I went to Japan, waiters at the hotel were wearing armbands saying the wages, the business and the manager were lousy. Within hours they received an improved pay offer," he says.

As the Matsushita electronics plant in Osaka, Mr Sanderson adds, the entire workforce assembles on the lawn during pay negotiations to shout ritual abuse at the employers, before returning to the lines to keep production ticking over.

Japanese workers do sometimes strike—mainly during the *shunto* or spring wage offensive. But Japan is close to bottom of the international league table of strikes, and stoppages during the term of an agreement are rare.



Britain is not top of the league: in 1973-82 it was seventh behind Italy, Canada, Spain, Ireland, Australia and Finland. But its reputation for a difficult "them and us" tradition of industrial relations remains a stigma even when disputes are not breaking out.

However, a number of British unions are now making bold attempts to counteract that image. The most controversial among them is an offer by the Electrical and Plumbing Trades Union (EPTU) to high-technology companies, many of them foreign-owned, of a procedure ending in binding arbitration which aims to avoid conflict. Deals have been done with Toshiba in Plymouth, Sanyo in Lowestoft, Inmos, AB Electronics, and Hitachi in South Wales. Another will shortly be announced.

This has plunged the EPTU into a bitter row with left-led unions, which accuse it of selling the movement's rights and freedoms in a desperate bid to win sole recognition agreements and members—sometimes even before workers are employed at a new plant.

The issue is likely to come to a head at the Trades Union Congress at Brighton in September, at a time when the movement is weak and split over Mr Len Murray's successor. Left-wingers want to commit the TUC to opposing no-strike deals.

This is not just the customary baiting of the right-wing EPTU which has become the left's *bete noire*. It goes to the heart of the TUC's so-called "new realism," already in some disarray because of the union's decision to boycott the tripartite National Economic Development Council in protest at the ban on union membership at Government Communications Headquarters.

The "new realism" has never just been about improving relations with Government. It is about adjusting to the switch towards high-technology industries, to the growing number of white-collar workers with middle-class values, and to the fact that only 39 per cent of union members voted Labour at the last election. These issues have not gone away.

The no-strike question tests how far unions feel able to go to encourage inward investment, and win recognition from employers who might otherwise be hostile.

For the left, the implied suggestion that labour should work more hand-in-glove with capital has been hard to stomach.

"There is nothing realistic about going on your knees in front of the employer. You don't have to be a realist to grovel to the boss," said Mr Tom Sawyer, deputy general secretary of the left-led National Union of Public Employees, at his union's conference.

Mr Sanderson replies: "Britain's industrial relations system is bound hand and foot to the past. Union activists live in an isolated world, talking a language of their own. Workers are voting with their feet by not joining unions.

"Hostility towards unions among school leavers has to be seen to be believed. They don't distinguish between the NUM's violent picketing and the EPTU. It's undermining us all."

The EPTU shies away from calling its agreements no strike deals, pointing out that workers could not be stopped from walking out if they felt their position was intolerable. The system is clearly designed to prevent disputes, however.

The agreements contain clauses to that effect. At Inmos, both sides pledge "to avoid any action which interrupts the continuity of production." A far-reaching new agreement, to be introduced at Hitachi, in Hirwan, South Wales, states baldly that all disputes must be resolved "without lock-outs and without any form of industrial action."

The EPTU initiative arose from a survey by Mr Sanderson of engineering industry disputes in 1980, from which he concluded that in virtually every case there was hardly any gain to the strikers.

If negotiations fail, some of the EPTU agreements, like Toshiba, provide for grievances to be resolved by "pendulum" arbitration, a 15-year-old American idea now used in 11 states of the U.S. It requires that an external arbitrator must come down wholly on one side or the other—thus in theory encouraging both sides to put reasonable cases, for fear that they would otherwise lose.

What the EPTU is offering is a single-union agreement which departs dramatically from the UK's industrial conventions

Troubled by falling membership rolls, other unions—notably the General, Municipal and Boilermakers Union and the Amalgamated Union of Engineering Workers — have signed deals which go a long way towards eliminating strikes, in return for recognition.

Some of them have procedures ending in compulsory, binding arbitration, such as a deal done 18 months ago by the GMBU at Norwegian-owned NEK Cables in Washington New Town, in North-East England.

Not all employers want arbitration deals, because they would allow an outsider to decide the company's wage costs. Nor are arbitration agreements an infallible barrier to disputes: last year's water strike went ahead in spite of the employers' call for arbitration under an agreement giving either side the right to demand it.

Other schemes are being tried to prevent disputes. The EPTU has reached an agreement with Control Data in South Wales under which the managing director and the union's executive member for the area are obliged to sit down and find a solution to a grievance if other avenues have failed.

All major unions have been queuing up to offer Nissan, the Japanese car manufacturer, a procedure agreement to discourage disputes at the £50m plant it intends to establish at Washington.

The EPTU is on the look-out for signs that its major critics, such as the Transport and General Workers' Union, are signing strike-limitation deals. It has noted a TGWU proposal to find a formula for avoiding disruption on the civil works construction contract at Nissan.

Strikes are not the only issue at stake, however. What the EPTU is offering is a single-union agreement departing dramatically from the conventions of British industrial relations. The three-year-old Toshiba deal, which formed a blueprint for the other agreements, has three vial elements in addition to the arbitration cause:

- All employees are monthly-paid salaried staff with equal benefits. All wear the same company coats, and use the same car park and dining room. Office staff have taken their lack of privilege with good grace.
- The union gave complete flexibility of working practices in return for big concessions on training. "Someone can be in administration one day and on the shopfloor the next, or switched from assembling printed circuit boards to testing them," says Mr Sanderson.
- A company advisory board was set up, including elected workforce representatives, who are given confidential business information and consulted on key decisions before they are taken. It can discuss everything from toilets to pay and profits.

This board, which sits at a round table, is a carefully calculated departure from traditional negotiations between management and shop stewards. Managers do not hold pre-meetings to decide an advance position, and union representatives are not bound by a mandate.

To avoid charges that the EPTU was discriminating unfairly in favour of a foreign company, Mr Sanderson offered the same agreement to British consumer electronics companies at which the union is represented.

Most declined, saying either that their office staff would not accept equality with manual workers, or that they did not want external arbitration. Mr Sanderson believes many were unwilling to adopt Japanese-style openness and information disclosure.

The EPTU is now touting its agreement around the "sunrise" electronics industries in Scotland's Silicon Glen and along the M4. It argues that revolutionary deals are needed if the union movement is to penetrate the high-technology sector where many companies, especially American ones, are anti-union.

Electronics companies need labour flexibility to provide almost weekly changes in working practices, and cope with advancing technology, which replaces 12 per cent of the labour content of their products every year.

Some are prepared to keep unions out by killing employees with kindness—paying above the going rate for salary increases, and providing individual counselling to deal not just with their problems at work, but their home lives as well. Mr Sanderson accuses companies like National Semiconductor, Nippon Electronic, IBM, Motorola and Maxell of using similar techniques to keep unions out.

So far the deals which the EPTU has signed are working satisfactorily, both union and employers claim. Arbitration clauses have not needed to be tested, and the union has kept a high proportion of the workforces in membership even without a closed shop.

Toshiba has achieved quality yields of up to 95 per cent at its Plymouth site, compared with about 60 per cent at a joint venture which the company had there with Rank Organisation until September 1980.

Absenteeism is 2 to 4 per cent compared with more than 10 per cent at Rank Toshiba. The factory has been expanded, and Toshiba now plans to build a microwave oven plant at Plymouth.

Sanyo at Lowestoft has achieved productivity of 9.5 television sets per person per day, compared with 10 in its Japanese plants. Absenteeism is one-sixth of the British average, with the help of strict discipline and checking on why people are away. It, too, is considering expansion.

Neither plant is a workers' paradise. Sanyo's basic wages of £83 a week are among the lowest in the consumer electronics industry, and some employees are on family incomes supplement. If the company had not come to Lowestoft, however, they would be on the dole.

Most at Sanyo have got used to the way things are run and some welcome the meticulous Japanese checking of productivity and quality details, though it has taken time to adjust to rules of no smoking, talking, eating or listening to music on the production line, and having to wait with a hand up until a supervisor allows a toilet break.

"When I was first on the line I used to drop screws and kick them underneath, but after a couple of months I was picking them up and putting them back in the box just like the Japanese expect," one worker told Thames TV's A-Plus programme.

It is still early days to judge the effectiveness of the EPTU deals. A growth in world electronics overcapacity in the coming years may test more fully their ability to safeguard workers' interests.

Meanwhile the row goes on, particularly over Hitachi. The company used to recognise five other unions when its factory was a joint venture with GEC, and some of the displaced unions have started disputes proceedings against the EPTU under the TUC's demarcation rules.

Men and Matters

Brussels gives the word

With the Euro - election campaign slowly grinding into action, tribute should be paid, even at this early stage, to the industry and imagination of Tony Robinson, for four and a half years the spokesman in Brussels for the Labour Party's MEPs.

In terms of newspaper column inches devoted to the antics of the 17-strong Labour group, this Ulsterman and former Sunday Mirror reporter has consistently out-scored those batting on behalf of the 60 Tories.

Robinson has specialised in Euro-lunacies, from the obvious examples of agricultural waste to the expenses-paid junkets patronised by some MEPs (though not Labour, naturally). Many a political reputation has been bolstered by *his* ready supply of quotations with head-line-catching phrases.

Last week, Robinson was picking brains in Brussels for the best examples of Euro-jargon. Yesterday, up popped Barbara Castle, Labour group leader, with an initiative.

She has written to Commission president Gaston Thorn, urging him to ban a list of jargon words and phrases from EEC documents. Examples gathered by Robinson which have provoked Mrs Castle's fury include "acquis communautaire" (EEC rules), "monetary compensatory amounts" (taxes and subsidies *on* cross-border trade), and "non-edible vegetables" (flowers).

Carrian sale

Just about all the remains of the once opulent Carrian group is now on show in Hong Kong, awaiting an auction on Sunday that is expected to raise another HK$3m (£276,000) for the company's creditors and shareholders.

The liquidators, at six previous auctions, have already salvaged more than HK$30m from the wreckage of the group, which collapsed with Hong Kong's property market late in 1982. But they are by no means down to the jumble and bric-a-brac yet.

Top of the items for sale this time is the luxury motor yacht once owned by the brother-in-law of Carrian boss, George Tan. It is thought to be worth at least HK$500,000.

Most of the other things on offer come — after months of legal wrangling about their true ownership — from the luxurious offices that Tan and other Carrian directors maintained

They include 18th and 19th century European oil paintings, Louis XV and Louis XVI clocks, Clodion sculptures, a large collection of silverware and — of course, gold-plated bathroom fittings.

Even after this sale, there may be more to come. A dispute continues over the ownership of two of Tan's villas

Different tune

When he was managing director of BBC Television, Aubrey Singer had an apocalyptic vision of the future of cable television. Unless something was done urgently, there was a danger that the traditional broadcast channels would be lost amid a welter of inferior cable programmes, mostly bought off the shelf in the States.

Since February, when Singer left Television Centre for early retirement and the life of an independent producer, his perspective seems to have undergone a dramatic change. He has just become chairman of Screen Sport, the sports channel for cable television.

"We were flattered by his concern at the time and he is being consistent in taking cable seriously," purred Robert Kennedy, founder and managing director of Screen Sport.

It is Singer's second little joke at the expense of his erstwhile employers. When he left the BBC he set up his company as White City Films—the name the BBC were toying with for their own film production company, now under consideration. Aubrey Singer is at the moment in Los Angeles before going on to China to research a film he plans to make. You can recognise him by the smile on his face.

Balancing act

Nobody imagines it is easy being a Brazilian banker, with the debt crisis, and inflation running at over 200 per cent a year. But the annual report of the Banco do Brasil, the country's largest commercial bank, makes the point rather vividly.

In a single year, the bank's balance sheet more than trebled in size from 15.000bn to 52,000bn cruzeiros. Profits, alas, did not do so well: up a mere 175 per cent to 489bn cruzeiros.

The bank prides itself on having a better credit rating than Brazil's central bank. And in his letter to shareholders, Oswaldo Roberto Colin, the president, notes with evident pleasure: "The shares of the bank performed tremendously well on the stock exchanges, providing shareholders with a capital gain of 500 per cent on the year which, relative to conventional investments, represents an excellent attainment."

"This is the Yorkshire rose—very prickly, scab resistant, but spreads too quickly for some people"

Sharp comment

Tecnologists alone cannot cope with today's technological challenges, Harry Beckers, group research co-ordinator for Royal Dutch-Shell, suggested at a meeting of the European Industrial Managers Research Association.

To make his point, Beckers related the following parable: A newly-independent country decided to nationalise all its foreign-owned industry and execute the top executives. But to be fair, the politicians said that should the guillotine fall to fall first time, the executive would be free to go home.

Scores of foreign managers lost their heads. But one stayed cool and came to a financial arrangement with the executioner, covering himself, his financial director, and his technical director.

The "miracle" for which he had paid duly worked for the top manager and his finance man. In each case, the blade failed to fall.

Quivering, the technical director put his head on the block, looked up at the mechanism, and cried: "Stop, I see why it's not working."

Stretch a point

The Australian immigration official looked the British businessman straight in the eye: "Do you have any criminal record?"—"No, officer," he replied. "I didn't realise that was still a necessity."

Observer

Letters to the Editor

Transferring Hong Kong magic

From Mr R. Clarke

Sir,—Would that we could transfer some of the Hong Kong Magic (Lombard May 17) to this country but it would require rather more than the 2m immigrants you propose though I agree they should be free to enter. The entrepreneur can only function to full effect in a climate of economic freedom and that in this country would have to be extended significantly to match that of Hong Kong.

Hong Kong was built on the principle of free trade with the world. With no natural resources other than a magnificent harbour this policy of the free movement of money and commodities has enabled the enterprise and hard work of the community to build the multi-faceted society we see today. But there are other factors, one of which has been of equal or greater importance: that is, access to land.

When Hong Kong was established the then Secretary of State declared all land Crown Land (as indeed it is (or was?) in this country) and by wise land policy and the essential minimum land use planning, ready access to land is provided for both public and private enterprise. New towns have been created, infrastructure provided and much public housing built all at no charge on the community, the full cost being recovered from the land sold by auction to private developers. The siting and development of the Kwai Chung container terminal — now the second largest container port in the world—and the financing and construction of the Hong Kong Metro are but two outstanding examples of the effectiveness of this land policy. Hong Kong itself in all its facets built largely from nothing in 40 years by its own people is there for all to judge.

What can this country learn from Hong Kong? Surely the main lesson is the enormous potential that exists for the creation of wealth if the burden of taxation and constraint is removed from labour and capital and public revenue obtained largely from the collection of land value? To follow this lesson would in fact be to return to the historical position since originally land was granted by and held from the Crown in return for services rendered to the Crown. Collection of land value would not only enable the burden of taxation on enterprise to be reduced but would also bring into productive use much land now held idle.

Such a change would be an appropriate way to mark the 900th anniversary of the Domesday Book.

Richard C. Clarke.
Sunflower Cottage, Little London, Lechlade, Glos.

From Mr R. Bonwit

Sir,—It is not clear how a group of "Shanghai cadres" (Lombard, May 17) would manage to run Hong Kong—most local people would be unable to understand them unless all instructions were issued in writing. The spoken native language of most HK inhabitants is the Cantonese dialect, a very old survival of classical Chinese. It is unlikely that the Peking Government would, after 1997, reconcile itself to tolerating indefinitely a linguistic enclave, whatever the administrative status of the "special" regime for the "Hong Kong compatriots."

One of the lasting effects of the Maoist revolution is the spread of standard Chinese among the young generation even in those areas—mostly along the southern coast—which remained wedded to local cultures based on surviving mediaeval Chinese dialects and also generally spoken by their overseas "cousins." Even before the victory of the anti-Manchu revolution of 1911, the adoption of standard Chinese (kuo yu—what we erroneously used to call Mandarin) was regarded as a patriotic duty by many overseas Chinese who did not opt for an English school education for their children.

It would therefore be of importance for the eventual future of Hong Kong to foster the rapid development of schooling in standard Chinese among all classes. Useful pointers of how to go about this could be derived from experiences in Singapore.

Ralf Bonwit,
Sorby, Kiln Lane, Binfield Heath, Henley-on-Thames.

From Mr D. MacShane

Sir,—Unlike Anatole Kaletsky (May 17) I heard few accusations of "betrayal" during two recent visits to Hong Kong. Rather that Mrs Thatcher's blundering visit to Peking in 1982 and her publicly lecturing the Chinese on Britain's legal title to the island turned an issue around which everyone was trying delicately to skirt into a major matter of face and Chinese pride. As some of the most skilled negotiators in the world the people of Hong Kong I met just seemed bewildered at the stupidity with which the British Government played its hand.

Mr Kaletsky is quite right to suggest that one way out for this or a future British government that makes both moral and economic sense is to permit those who wish to leave Hong Kong to come to Britain or to help them resettle elsewhere. Every wave of political or economic refugees to Britain—Irish, Jewish, East African, Asian — has enriched the country. If we want to avoid an exodus that will make the Vietnamese boat people look like an orderly day trip across the Channel and if we want to embrace people whose drive, sense of community and collective responsibility could only benefit today's down-at-heel, selfish Britain then a commitment to provide passports for the people of Hong Kong before they pass into the Chinese gulag would be a positive and progressive step.

Denis MacShane,
2 route de Loex, 1213 Geneva, Switzerland.

Varying views on the GLC

From the Press Officer, Campaign to Abolish the GLC

Sir,—Poor Ken Livingstone must surely regret making known his real opinion of the Greater London Council in 1979 and Mr D. Franklin (May 17) is perfectly justified in asking "is Mr Livingstone muddled?"

The answer, it seems to me, is to be found in what may be termed the Labour Party's "double track" approach to the GLC. That is to say, when County Hall is under Tory control the GLC is remote, insensitive and generally useless.

On the other hand, as soon as Labour gets control the beast is suddenly transformed, and criticism thereafter is seen to be an attack upon local democracy, civil liberties, etc.

Credit for development of the "double track" theory may also properly be claimed by Gerald Kaufman who, speaking as Labour's "shadow" Environment Minister in February 1981, said that the GLC had "abdicated its responsibilities." He also described it as being "an enormous bureaucracy which has a dubious role to play."

Frank Dobson, MP, chairman of the London group of Labour MPs, had also helped to develop the theory by declaring in July 1979 that the GLC was "a disgrace and a failure," that "it does no useful work at all" and that it should be abolished as soon as possible. Well said indeed!

Colin Smith.
9-9a, New Bond Street, W1.

Against deficit financing

From Mr Paul Craig Roberts

Sir,—I was astounded to find myself described in your May 15 editorial as "the high priest of deficit finance." No designation could be further from the truth; and nothing that I have ever said or written supports such a description.

The high priests of deficit finance are the Keynesians, and it is against this Keynesian policy of deficit finance that supply-side economists such as myself have fought. As assistant Treasury secretary in the Reagan Administration, I supported a policy whose explicit goal was to reduce federal taxes and federal government spending to 19.3 per cent of GNP by 1984. This goal was defeated largely by the 1981-82 recession brought on by one of the tightest monetary policies in the post-war period—a policy that was unexpected by the administration. The administration asked the Federal Reserve gradually to reduce the growth rate of money by 50 per cent over a five-year period; instead, the Federal Reserve collapsed the money supply overnight. The economy and the tax base collapsed with the money supply, while spending on income support programmes rose with unemployment. In the U.S. it is impossible to have a recession without having a large deficit.

My position on the deficit is based on a careful and thorough examination of academic scholarship and empirical evidence. The evidence shows that it is government spending that crowds out the private sector, not how that spending is financed. The evidence does not show that the economy can be improved by substituting higher taxes for Treasury borrowing.

My approach to the deficit is not to defend it, but to get rid of it by encouraging the growth of the economy with sound tax policy and by controlling the growth of government expenditures. Once the economy is growing faster than the government's expenditures, the budget will come into balance. There is no fiscal prudence in raising taxes to balance the budget while government spending grows as a percent of GNP. The private sector would continue to suffer crowding out, and, by slowing the economy, the adverse effects of higher taxes (and spending) would cause the deficit to reappear.

Paul Craig Roberts.
Center for Strategic and International Studies, 1800 K Street Northwest, Suite 400, Washington DC 20006.

Exports of capital goods

From Mr R. Musgrave

Sir — Dr Morris (May 14) argues that bureaucrats like himself can, by manipulating the economy with export subsidies, produce better results than a free market, ie an absence of subsidies. This is allegedly because he and his colleagues can take into account such weighty matters as "the likely duration of other countries' export subsidies," "the relative competitiveness of different sectors" and "the size of knock-on effects on suppliers."

I think Dr Morris has overlooked the fact that these sorts of imponderables are continually being taken into account by businesses, ie the market. For example a British producer threatened by another country's export subsidies would not be so idiotic as not to make enquiries about the "likely duration" of the subsidy before contracting his business. If, of course, NEDO personnel were particularly good at quantifying these factors we would all find NEDO publications indispensable reading and such personnel would make fortunes on the Stock Exchange and elsewhere. But neither of these obtain.

Thus while export subsidies may be a valid political tactic to persuade other countries to get rid of their subsidies, I doubt they contain an ounce of economic logic. The frequency, however, with which Governments fall for the temptation of subsidising the balance of payments for no good reason greatly exceeds the frequency of the above valid political tactic or any other valid reason. Thus I am tempted to agree with Samuel Brittan's proposal, attacked by Dr Morris, namely that all export subsidies be abolished.

R. S. Musgrave.
24 Garden Avenue, Framwellgate Moor, Durham.

Bananas are cheap today

From the Assistant Advertising Manager, Fyffes Group

Sir, — While not wishing to be unsympathetic to the sentiment expressed by Mr Francey, May 10, particularly as the elderly as a group consume more bananas than any other, I must challenge the suggestion that the fruit has become expensive.

The price of bananas has fallen behind the average increase in retail prices over the past 10 years. The overall retail price index since 1974 has risen by 243 per cent, that of food by 220 per cent, and bananas in particular by 175 per cent.

Together with its food value, as it contains practically no fat, little sodium, but is high in potassium (very important for the relief of stress) and is a valuable source of vitamin C, the banana still represents a source of good cheap food.

But its modest price will soon register as a burden on those with small fixed incomes who have to find ever more money for those other essentials like fuel; the price of which has risen by 370 per cent since 1974 and still rises.

Charles Rudge
15 Stratton Street, W1.

Counting numbers in support

From the National Officer, Public Services Group, Transport and General Workers' Union

Sir,—We are accustomed to policemen on trades union marches playing down the numbers participating. We expect better from the Ministry of Defence.

On April 27, Britain's 11 Royal Ordnance Factories and their two PERME (research and development) establishments closed down at lunchtime. The stoppage was in protest against the privatisation of the ROFs. The stoppage followed an overwhelming vote in a series of meetings throughout the country. For example, I addressed 13,500 of the industrial employees at 15 mass meetings in the 13 establishments and the vote to continue opposition and to stop work on April 27 was carried overwhelmingly with only 21 votes against and six abstentions. Similar strong support was forthcoming from the members of the non-industrial unions.

On April 27, the only industrials in the ROFs that went to work were those who were there by agreement to maintain the safety of the plants and protect the public. You can imagine our surprise, therefore, when we saw the reference in the Financial Times on April 28 to the MOD saying that only 85 per cent of the industrials had participated. Perhaps, somewhat disingenuously, it was taking into account those on night-shift. If so, readers should know that those concerned attended the demonstrations outside the factories and arrangements were made for them to make a donation from their pay to ensure as far as possible an equality of sacrifice.

Following a detailed survey, the non-industrials reported that approximately 90 per cent of their 6,000 members took part, greater even than the stoppage on January 16 in protest against privatisation, the first in the 300-year history of the factories.

The MOD has now confirmed to us that it accepts that our members are solidly opposed to privatisation. Neither does it challenge our estimate of the participation on April 27. I hope, therefore, that this letter will reassure readers that there is no weakening of resolve on the part of the trades unions to defend the Royal Ordnance Factories. They are an essential plank in the platform of Britain's defence and, even if Government is driven by dogma, we will continue to act in the national interest."

I am sure that you will understand why we are concerned to put right the misleading information that was given by an MOD spokesman to one of your journalists. I might add that we have no complaints about your coverage generally of the privatisation of the Royal Ordinance Factories. It has been refreshingly even-handed.

Jack Dromey.
Transport House, Smith Square, SW1

Commoners rights attacked

From the Honorary Secretary, Wolvercote Commoners Committee

Sir,—Any readers who have visited Oxford are likely to have observed a large meadow across which unspoiled views of the city may be obtained. This is Port Meadow, a stretch of common land dating back to before the Norman Conquest. Part of this ancient common is now under threat, and from a quite unexpected direction.

Oxford City Council is either owner or custodian of the land (this is in dispute). In either case it is obliged under section 194 of the Law of Property Act 1925 to guard the land for the good of the public. In January 1984 this same council published an official notice applying to develop part of the common, commercially. The application would appear not in itself to be illegal (though surely contrary to the spirit of the law) but it is, we believe, unusual. We are concerned at this apparent loophole in the law.

A second cause for concern is that a city council responsible in theory for the well-being of its electors, is in this instance applying for permission to develop common land, not for itself, nor for the benefit of its constituents, but for a thriving local business which is seeking in this way to expand its operations.

Especially in these recessionary times we favour business expansion but is there not a danger of a local authority confusing its roles when it promotes individual firms on land it is obliged to preserve for the general public?

Andrew Burchardt.
8 Elmthorpe Road, Wolvercote, Oxford.

Obsession with exam results

From Helen Quigley

Sir,—I read your leader "Obsessed with exam results" (May 14) with interest and am pleased that you approve of Sir Keith Joseph's attempts to broaden the curriculum and loosen the grip of narrow academic specialisation.

I think however you should have pointed out that the comments refer entirely to England and Wales. In Scotland they do things differently.

The Scottish leaving certificate has always been more broadly based, with university-bound children sitting as many as five subjects at higher level. These may well include both arts and science subjects.

The Scots are also ahead of their southern colleagues in their intention to introduce one examination for virtually the whole 16-year age group. This will be phased in from 1986.

It is through such measures that Scotland has gained its reputation for educational excellence.

Helen Quigley.
41 Rylett Crescent, W12.

Successful Basque co-operative

The unorthodox survivor

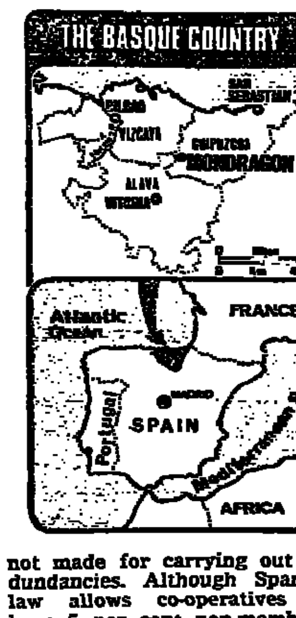
By David White in Madrid

A BACKWOODS co-operative, originally the inspiration of a priest, and which started out making petrol stoves, may not be everybody's idea of the kind of company most likely to survive a recession.

But Ulgor, now the largest Spanish-owned manufacturer of household electrical equipment, has survived better than its more orthodox rivals in an industry suffering from heavy losses, chronic overmanning and panic over the prospect of open competition in the EEC.

Almost 30 years after it was launched, the oldest of the industrial co-operatives at Mondragon in the heart of the Basque country is breaking new ground in microwave ovens and preparing to take a leadership role in government plans for reorganising the white goods sector.

The oldest of the industrial co-operatives at Mondragon, in the heart of the Basque country, is preparing for a leading role in the reorganisation of Spain's white goods sector.



Last year, the Spanish business magazine Dinero named it as one of the country's 10 "exemplary" companies, a list in which six were subsidiaries of multinationals.

The Mondragon experiment is widely regarded as a model of its kind, a claim reinforced by the fact that Ulgor adapted to the crisis faster than other non-foreign-owned companies in its field. But Ulgor's manager, Jesus Catania, is reluctant to attribute this success to anything inherent in the co-operative system itself. For him it has been more prosaic — a matter of rigorous, cost-cutting, market-oriented management. Worker-ownership has not always made things easier.

Ulgor lies in a wooded valley in an old iron and steel area, where the language is Basque and Basque nationalist feeling runs high. Its name comes from the initials of the five people who founded it, all former pupils of the professional school set up there by a legendary priest, Father Jose Maria Arizmendiarrieta. The factory began in 1956 using foreign patents but went on to develop its own products, mainly under the Fagor trademark.

Ulgor has built up around itself a group known as Ularco, now totalling 12 co-operatives and employing 6,000. Other members of the group make castings, machinery and components. Activities have been extended to software, and an affiliated research unit, Ikerlan, is a pioneer of robotics in Spain.

On the executive side, says Sr Catania, the co-operatives are run like ordinary companies. The management team is not elected, but appointed by the elected administrative council. However, there is one aspect in which Ulgor's approach differs substantially from the corporate norm, and that is diversification. Instead of accumulating new activities, it works by a kind of binary fission process, in which new branches, once mature, break off on their own. Activities which it started in equipment for hotels and restaurants, water heaters and kitchen furniture have all become the basis for separate co-operatives—although links are kept up.

As a result, Ulgor itself has devoted its energies to getting its original business back into shape. It has made big investments in new machinery in order to lower production costs, renewed its catalogue and changed its export policy.

It has stopped sending cookers and refrigerators to Algeria at low profit margins and become more selective, concentrating on markets such as France, the UK, Benelux and West Germany. This has meant bringing standards up to EEC levels and building up a European commercial network. Exporting is part of the doctrine behind the co-operatives, and Ulgor makes a third of its turnover abroad.

The most difficult part has been solving the overstaffing problem. Even though being a co-operative reduces the role of trade unions, the system is not made for carrying out redundancies. Although Spanish law allows co-operatives to have 5 per cent non-members, at Ulgor everybody is a co-owner, with an equal vote. In other companies, Spain's rigid labour rules, inherited from the Franco era, make it hard enough to sever job contracts. A co-operative like Ulgor, according to Sr Catania, is not more flexible, but less.

The force of workers-owners has, however, been brought down by over a third, from 3,500 in 1977 to 2,200 at present. This has been done principally by splitting off the after-sales service, where former members of the Ulgor co-operative have been put out on contract. Cuts on the factory floor have been carried out through transfers to other co-operatives.

Leavers take with them their share of profits and their entrance fee. This fee is currently Pta 650,000 (about £3,000) for new members, who can pay it over two years. The co-operative's profits are divided between reserves and distribution to members, via special accounts held on their behalf, on which they receive 6 per cent annual interest. When there are deficits, they are subtracted.

Despite some big losses, Ulgor managed to avoid reaching a point where its members' balances were in debit. Last year, according to Sr Catania, it was back in profit to the tune of about Pta 500m on sales of Pta 19bn.

The company makes four kinds of product, washing machines, refrigerators, cookers and dishwashers. All four are now viable, Sr Catania says. But he warns: "In future, if we join the EEC, we will have to reconvert the whole product line."

Entering the Common Market, which Spain aims to do in 1986, will mean more products available on the Spanish market (where consumers now have a very limited choice), and cheaper imports.

Sr Catania reckons a productivity improvement of 20 per cent is needed to compete —"practically a new factory." Production of washing machines and dishwashers has already been brought up to what he describes as a European level, and the company has begun converting its refrigerator operation with a Pta 1.8bn investment programme.

The aim is a 30 per cent productivity gain on refrigerators. "This means that in 1987 we will have to be making the same fridges with a 30 per cent smaller workforce, or 30 per cent more units with the same workforce."

Another 400 jobs are expected to be shed over the next four years. Sr Catania reckons that Ulgor has the capacity to increase output of cookers and dishwashers by 50 per cent and to double that of fridges and washing machines. But the market is still weak.

With its three trademarks, Fagor, Aspes and Novelty, the company is sticking to the lower, non-electronic end of the market. But it is planning some new products, including a combined standard and microwave oven, the first of its kind in Spain, due in September.

The electricals sector, says Sr Catania, lost Pta 8bn last year and is dying a slow death, decapitalised and deep in debt to the tax and social security authorities.

Several companies will be condemned to close wholly or partly, even before EEC entry. A Government commission last year recommended cutting off handouts to five companies whose situation was judged irreversible.

Plans based on a 1983 report by the McKinsey consulting firm are expected to lead to the formation of three loose groups in the sector. Two of these would be headed by Philips and Zanussi, which are well implanted in Spain, and the third by Ulgor.

FINANCIAL TIMES

Tuesday May 22 1984

IMF sees little hope of easier debt service burden for LDCs

BY PETER MONTAGNON IN ST GALLEN, SWITZERLAND

THERE IS little hope of fresh initiatives to ease the debt service burden of countries in the developing world, according to M Jacques de Larosière, Managing director of the International Monetary Fund (IMF).

Many countries have already made dramatic progress in adjusting their economies over the past year and should continue to cope with this burden providing adequate financial backing is available and world economic recovery is secure, he told an economic seminar in St Gallen, Switzerland.

In his speech M de Larosière stressed the orthodox line on debt rescheduling and adjustment which is in sharp contrast to this weekend's call by four leading Latin American governments for substantial changes in the West's financial and trade policies.

"Commercial Banks will have to continue lending on a significant, if reduced scale, because the financing needs are such that they could not be met without the banks," he said.

But he added that the time had come to put rescheduling into a longer-term perspective for those countries which had made important progress towards economic adjustment. "Such an approach, which should be applied case by case, would help the countries in question regain access to spontaneous financing in international markets," he said.

"However, access to new commercial flows will depend more than ever before on the quality of policies that borrowing countries have in place and are implementing," he continued.

While warning the debtor nations not to relax the process of debt adjustment, M de Larosière also said it was essential for industrial countries to take action to ensure non-inflationary growth.

Meanwhile Sr Mario Henrique Simonsen, a former Brazilian Finance Minister, warned the seminar that confrontation between debtor and creditor nations was likely in the long run if the exports of debtor countries failed to grow in line with interest rates.

Systematic interest relief was undesirable because it could discourage debtors from paying their debts, he said. Instead regulations should be changed to allow partial capitalisation of interest and there should also be some contingency planning which might involve the creation of worldwide tax free bonds to provide funds for developing countries, he said.

● Some developing country debts are now irrecoverable, Dr Fritz Leutwiler, president of the Swiss National Bank, told the seminar. Commercial banks have to build up reserves which in time will allow write-offs on these loans because "losses are going to occur." Despite this, banks should and will continue lending to developing countries.

Banks that are not traditionally in international business will withdraw "but the big banks will stay because they know exactly what is at stake," he said.

Jacques de Larosière: the time has come to put rescheduling into a longer term perspective

Airlines profit of $250m forecast

By Michael Donne in London

ALTHOUGH major world airlines may collectively earn a net profit of $250m after interest this year, the return is "far short" of the requirements for necessary investment.

The new profit forecast was made by Mr Knut Hammarskjold, director-general of the International Air Transport Association (IATA). It compares with an original forecast of a net loss of about $750m. He said the improvement had occurred because traffic had been rising at a faster rate than capacity – the number of seats on offer.

Mr Hammarskjold, speaking at an international aviation conference in Paris, said, however, that if airline continued to increase the capacity on offer "I fear that we may find the current more positive financial prospects disappearing before our eyes."

In spite of the improved financial forecast, airlines were still "collectively falling far short of anything like a sufficient return in order to finance necessary fleet replacements in conventional fashion from their own resources."

Airlines within Iata believed that profits of about 7.5 per cent of revenues were necessary to enable them to run sound businesses and replace ageing fleets, he added. "Yet, even in the best of recent years, 1978, the airlines achieved only 4.1 per cent."

The return of $250m expected for this year would amount to 0.5 per cent of revenues. This was clearly a very poor result, he said. Mr Hammarskjold said that with such poor financial results and with the need for major fleet replacements now upon them, airlines would be hard-pressed to acquire new aircraft.

This was leading to intensified interest in leasing aircraft and also in the secondhand market.

Mr Hammarskjold expressed fears over the newly emerging U.S. policy to settle international civil aviation disputes at judicial levels through the courts, rather than at government level.

There was a potential danger that international air transport could be subject to judicial regulation of the courts. It was a serious development and was being watched closely.

THE LEX COLUMN

Morgan Grenfell shows a leg

Morgan Grenfell's stonewall reply to queries about a public listing has been so constant for so long that the tape on the bank's answering machine must almost have worn out. Yesterday, it inserted a brand new cassette carrying the message that a public quotation might be obtained as early as next year.

Morgan's unusual shareholding structure has been such an advantage over the past decade that yesterday's conspicuous change of tack must say a good deal about how it envisages its future role in the financial services industry. Morgan has enjoyed easy access to outside capital during a period when none of its quoted competitors has raised any fresh equity at all.

Yesterday, as if to drive the point home, the bank announced a rights issue – its fourth since 1974 – to raise £45m. The subscription price was pitched at a 65 per cent premium to disclosed net worth, enough to make its peers turn green with envy. Despite having outperformed the stock market by around 20 per cent over the past year, merchant banking shares trade so close to disclosed net asset value that virtually any premium would disappear through the rights discount.

The frequent calls on shareholders have enabled Morgan to expand its capital base far faster than the competition, which has generally struggled to keep pace with inflation. Now the bank is apparently prepared to join the rest of the crowd and, as if that were not enough, to disclose its true net worth. The compensation, however, is that Morgan would be able to think much more ambitiously about expansion.

Arguably, a public listing might have enabled the bank to contemplate purchasing one of the very biggest jobbers, instead of Pinchin Denny, while the recent link with Target Life gave the strong impression of a financial stretch. Morgan has well known ambitions to participate as a principal in the securities market, which will require extra capital, and expansion on all these fronts would certainly leave its existing shareholders – particularly Willis Faber – panting to keep up.

Sweden

The foreign capital streaming into Stockholm equities over the last couple of years has radically altered the domestic habitat of the big fish still locked into Sweden's tightest pool by some of Europe's tightest foreign exchange barriers. Suddenly they find themselves swimming in the company of all sorts of smaller predators, and the Wallenberg family's decision to repurchase from Volvo two key stakes in its federation of companies looks the kind of defensive move urgently needed to hold the family's traditional interests together. But the retrenchment has been expensive: the *jumbo SKr 3bn subordinated loan* now being issued by investment companies at the centre of the federation will just meet the costs of buying the shares back.

The size of the loan dwarfs anything of its kind seen in Sweden before and seems certain to draw local funds away from the stock market for a while. Volvo will be unable to transfer the proceeds overseas but could well have other plans for them internally. Besides, Volvo's chairman now has at least two good reasons to tread warily in the stock market. An earlier equity trading strategy in the market fell foul of Volvo's sheer size. The latest, longer term approach which led to the investment in the two Wallenberg-controlled companies has only served again, after all the recent battles, to underline the incestuous complexity of the Swedish corporate sector.

This will be marginally simplified by the Wallenberg/Volvo agreement in its essentials; but even this deal contains a side agreement on Volvo's part which will contribute further to the patchwork of corporate cross-holdings now adorning Sweden's west coast. There is little evidence that any of this has yet deterred foreign investors but the real test must await the next bear market.

A B Foods

Associated British Foods' pre-tax profits for the year to March, down from £146.5m to £126.7m, take some unravelling after the sale of its 52 per cent-owned South African business, Premier Group, at the end of June 1983. Once down to the bottom line, though, the shortfall in Premier's profits is roughly recovered by much higher investment income and lower minorities. That leaves the rest of the group looking stuck on a profits plateau. Yesterday the shares were stuck as well, at 166p, where the historic actual tax p/e is 7.8. The current year p/e will probably be about the same, on pre-tax profits around £130m.

As usual that rating looks on the cheap side, especially when 30 per cent of group profits come from Fine Fare, which, if not up to Sainsbury standards, deserves a higher valuation. True, baking is not the most glamorous of businesses, but A B Foods' bakeries stayed in the black last year even after around £4½m of redundancy and reorganisation costs. Nor is the competitive outlook brighter, given RHM's efforts to cut costs, the enforced over-capacity in the industry and the supermarket chains, which get the big discounts, taking a larger market share.

The stock market's excuse for the low rating is uncertainty over how the £200m raised from the Premier sale will be spent. But with interest rates high, management are in no hurry to reinvest.

U.S. bond dealer files for protection

By Terry Byland in New York

A FRESH indication of the strains in the largely unregulated U.S. federal bond markets emerged at the weekend with the filing for bankruptcy protection of another small market trader.

RTD Securities blamed rising interest rates for its decision to file under Chapter 11 of the federal bankruptcy code but added, in its court submission, that its problems had been aggravated by the similar filing earlier this month of Lion Capital group.

RTD's collapse, which is believed to have involved losses to customers of only about $7m, concerned repurchase agreements, which were also the cause of the problems at Lion, and have become a matter for concern in the federal securities markets.

Repurchase agreements involved temporary investments by customers of RTD in federal bonds held by third parties. However, as is usual in such arrangements, "TD customers did not take title to the bonds themselves.

The U.S. securities industry is in doubt at present over whether repurchase agreements represent loans or actual purchases of federal securities.

Some RTD customers, are believed also to have been customers of Lion. Moreover, the same money broking firm, National Money Market Services, appears to have acted as the link between customers and the two trading firms.

The rapid expansion of money broking services has also been cause of some concern for the securities markets, and there have been calls for some regulatory control over their operations.

The past three months have brought increasingly difficult trading conditions in U.S. federal bond markets. Interest rates have risen, and trading firms have carried heavy portfolios, swollen by successive auctions of Treasury securities. On several occasions prices have collapsed abruptly as trading houses have been obliged to cut portfolio losses.

The first sign of difficulties in the bond markets surfaced in 1982 with the collapse of two trading firms – Drysdale Government Securities and Lombard-Wall. Earlier this month March McLennan, the insurance group disclosed that it had suffered $165m in losses because of unauthorised trading in government securities.

Eurobonds, Page 42

UK merchant bank may seek listing to meet capital needs

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

MORGAN GRENFELL, one of the few leading British merchant banks which is still privately owned, may seek a stock exchange listing next year.

The bank disclosed its plans in an announcement giving details of a £45m ($62m) issue of new shares which it is making to the small group of mainly institutional shareholders which currently runs it.

Mr G. W. Mackworth-Young, chairman, said the idea had been prompted by the deregulation of the UK stock market, and the growing need for capital that this placed on the bank. Morgan had also reached the size, he said, where it should think about going public. Including the new share issue, the bank will have a capitalisation of £210m.

A carefully worded sentence in the new issue announcement said the directors "are giving consideration to the desirability of obtaining, possibly in 1985, a listing for the company on the stock exchange."

Mr Mackworth-Young stressed the plan was in its early stages. But the directors had decided the new issue was the appropriate moment to tell shareholders about it.

The bank's largest shareholder is Willis Faber, the insurance broking group, with 24 per cent. About two dozen institutions hold another 60 per cent, with the rest divided among a few private shareholders. The new issue consists of up to 11.25m shares at 400p each, and will bring the total to 53.8m shares.

The proceeds will help Morgan's expansion into new lines of business, mainly in the securities field. Last month it bought 29.9 per cent of Pinchin, Denny, a jobbing firm, and will raise this to 100 per cent when stock exchange rules permit. This deal's value is implied by yesterday's issue announcement to be worth about £30m.

Morgan has also bought 19.9 per cent of Target Group, and is boosting its presence in Hong Kong, New York and Australia.

With earnings holding up well, Morgan is predicting a 28.8 per cent increase in dividend this year to 8.5p.

Investors are likely to jump at the chance to buy shares in one of the City's premier investment banks, with a good profits record. "That is a share one would go for," said one broker who follows merchant banking stocks closely.

A decision to go public would also signal that Morgan Grenfell was determined to go it alone in the UK investment industry shake up rather than seek a merger, the other option open to a merchant bank keen to attract a large amount of capital to support expansion.

See Lex

GM studies Data Systems link

BY PAUL TAYLOR IN NEW YORK

GENERAL MOTORS, the world's largest car maker, is considering a major expansion into the data processing service industry.

GM confirmed yesterday that it was holding "preliminary" discussions with Electronic Data Systems (EDS), the Dallas-based computer services company founded and controlled by Mr Ross Perot, a colourful Texas entrepreneur.

The car giant stressed, however, that no agreement had been reached and that there were "no assurances" that any agreement will be reached.

It is also unclear what form an agreement between the two companies might take. GM said only that it is considering a "possible association." However, Wall Street analysts noted that GM had around $9bn in cash at the end of the quarter – more than sufficient to acquire EDS, which might cost between $2bn and $3bn.

Alternatively, Wall Street analysts are speculating that GM might purchase an equity stake in the company, form a joint venture or sign a long-term contract with EDS.

Mr Rodger Smith, GM's chairman, has said for some time that he is keen to diversify the company into other fields including electronics.

EDS, which is a market leader in the provision of software, hardware and personnel for a variety of data processing tasks in industry and Government, could provide GM with a sizeable springboard into a large, rapidly expanding and highly profitable business in the U.S. as well as perhaps bolstering GM's internal manufacturing automation and robotics systems.

In the latest fiscal year ending last June EDS earned net profits of $58.7m on sales of $629.7m. In the current financial year EDS's profits are expected to reach about $71m on sales of $760m.

EDS traditionally provides full data processing for companies under extended contracts. Recently EDS has been winning a sizeable number of contracts, including one of the largest contracts ever awarded by the U.S. navy and a four-year contract to operate North Carolina's Medicaid health care management system.

U.S. bid for new indices futures

BY CLIVE WOLMAN IN NEW YORK

NEW YORK'S Coffee, Sugar and Cocoa Exchange yesterday submitted its final application to the Commodity Futures Trading Commission to start trading in contracts on four key economic indices, together with statements from economists explaining their potential benefits as devices for hedging risks.

The indices on which it will be possible to speculate or hedge are the CPI-W, the consumer price index for U.S. wage earners, the index of U.S. housing starts, the index of U.S. retail car sales and a new index which will measure the average earnings per share of the top 100 U.S. manufacturing companies.

Mr Todd Petzel, the exchange's chief economist, claims that the contracts will transform corporate planning. "Companies will be able to protect themselves against an economic recession if corporate earnings do not match the expectations of analysts."

Companies would achieve this protection by selling contracts on the value of the corporate earnings index up to two years ahead.

Similarly companies whose labour contracts were linked to inflation could protect themselves by selling contracts on the CPI-W. Individuals could guarantee the real value of their savings and a real rate of interest in the same way.

The two other contracts are aimed primarily at the car and house-building industries and their suppliers.

But judging by the popularity of the futures contracts on the U.S. stock market indices, launched two years ago, the main beneficiaries of the new contracts, at least in their early stages, will not be businessmen, but traders, speculators and academics.

Stock markets, Page 31

Olayan group lifts stake in Occidental

By William Hall in New York

THE Olayan Group, headed by Suliman S. Olayan, a wealthy Saudi Arabian businessman, has increased its stake in Occidental Petroleum, which has been the subject of mounting takeover speculation, to nearly 6 per cent.

Mr Gordon Reece, Occidental's spokesman, yesterday confirmed that the Middle Eastern group had increased its stake and said Occidental welcomed the move as further evidence of the Olayan group's confidence in the oil company, headed by the 85 year old Dr Armand Hammer.

Occidental's share price has risen by 40 per cent this year as speculation has mounted that it was a possible takeover target. Aside from the Olayan Group, Mr David Murdock, a director of Occidental, has a stake of about 5 per cent in the Los Angeles-based oil company, and is known to have asked Occidental for permission to break a standstill agreement which prevents him from increasing his stake. Occidental refused permission and there have been rumours that Mr Murdock has become increasingly critical of several recent Occidental decisions.

Ashland Oil may sell insurance unit

By Our New York Staff

ASHLAND Oil, the largest independent oil refiner in the U.S., is planning to sell its life insurance subsidiary, Integon which it acquired three years ago.

The proposed sale, on which the company is being advised by investment bankers Goldman Sachs forms part of a strategy to return to the Kentucky-based company's original emphasis on primary energy, chemical and related industries.

Ashland said yesterday that the assets of Integon had grown from $3.53bn to $13.3bn of ordinary life insurance since it was acquired by Ashland.

The profitability of Ashland fell by 43 per cent in 1983 to $103m after tax. Integon contributed $13.3m to this figure.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Dubrovnik	S	20	68	Malaga	F	18	64	Salzburg	R	11	52
Akrotiri	F	25	77	Faro	F	18	64	Malta	S	22	72	Seoul	C	26	79
Algiers	-	—	—	Florence	T	20	68	Manila	C	35	95	Singapore	R	31	88
Amsterdam	R	10	50	Frankfurt	R	12	54	Miami	S	24	75	Stockholm	S	21	70
Athens	S	28	82	Funchal	F	19	66	Milan	R	15	59	Strasbourg	R	14	57
Bahrain	C	36	97	Geneva	R	11	52	Moscow	C	26	79	Sydney	C	19	66
Bangkok	C	35	95	Gibraltar	F	18	64	Munich	R	14	57	Tangier	R	24	75
Barcelona	C	16	61	Guernsey	C	11	52	Nairobi	-	—	—	Tangier	C	16	61
Beirut	S	23	73	Helsinki	S	24	75	Naples	C	19	66	Tehran	-	—	—
Belgrade	F	24	75	H. Kong	C	26	79	New Delhi	C	42	108	Tel Aviv	S	28	82
Berlin	R	24	75	Innsbruck	R	12	54	New York	S	15	59	Tenerife	S	22	72
Biarritz	F	14	57	Inverness	C	9	48	Nice	S	17	63	Tokyo	C	19	66
Blackpool	C	12	54	Istanbul	S	27	81	Oporto	F	10	50	Toronto	S	9	48
Bordeaux	C	15	59	Jersey	C	11	52	Oslo	F	20	68	Tunis	S	28	82
Brussels	R	10	50	Jo'burg	C	18	64	Paris	C	10	50	Valencia	F	20	68
Budapest	C	19	66	Las Palmas	F	22	72	Prague	R	17	63	Venice	F	16	61
B. Aires	C	15	59	Lima	C	22	72	Reykjavik	F	10	50	Vienna	R	20	68
Cairo	C	37	95	Lisbon	R	11	52	Rio de J'o	C	32	50	Warsaw	S	25	77
Cape Town	-	—	—	Locarno	R	12	54	Rome	S	20	68	Zurich	R	10	50
Caracas	C	29	84	London	C	10	50								
Casablanca	C	17	63	Los Angeles	C	16	61								
Copenhagen	S	21	70	Luxembourg	R	11	52								
Corfu	S	23	73	Madrid	C	12	54								
Dublin	F	15	59	Majorca	F	18	64								

Readings at mid day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

W. German strikes spread

Continued from Page 1

Hans Mayr, president of IG Metall, said the union wanted a quick end of the dispute. "The strike is not an end in itself," he said.

A major factor pressing the union is the cost of the strike. So far, IG Metall, which has a strike "war chest" of some DM 450m, may not have disbursed more than DM 4m in strike pay, but that figure could rise very quickly as stoppages and lock-outs multiply.

For all the anxiety about the consequences of a protracted strike, there is no guarantee that new talks between the union and Gesamtmetall, the employers' association, will succeed where others have failed.

The engineering employers are still adamant – in public at least – that the basic 40-hour week remains in force. Instead, they have offered the union a 3.3 per cent pay rise, early retirement facilities and greater flexibility of working hours.

Patrick Blum in Vienna writes: Austrian employers fear the German strikes will force them to make large-scale lay-offs. Up to 3,000 workers could be laid off at the BMW and General Motors Austria plants within a week.

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SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday May 22 1984

Opening quarter upturn confirms Akzo recovery

BY WALTER ELLIS IN AMSTERDAM

AKZO, the Dutch chemicals and fibres group, has again confirmed the strength of its recovery with sharply improved results for the first quarter of this year. Sales rose by just over 15 per cent to Fl 4.2bn ($1.35bn) compared with the first three months of 1983, while earnings jumped three and a half times to reach Fl 200m.

Management attributes the improvement to the effects of cost-saving measures adopted over the past year and to a pick-up in demand for fibres. But it should also be recalled that the January-March period last year represented a low point for Akzo following a decline in the man-made fibres sector, especially in the U.S., and slack sales of de-icing salt in America as a result of the mild winter there.

But the upturn in group fortunes has still been pronounced over the last 12 months, and this year's first quarter results are distinctly higher even than the third and fourth quarter results of 1983, on which so much of Akzo's annualised performance depended.

Operating income from January to March came to Fl 355m, or 8.5 per cent of sales, which compares favourably with the 1983 first quarter figures of Fl 136m, 3.8 per cent of sales. For 1983 as a whole, operating income represented 6.6 per cent of sales, and the continuing improvement in this area will bring particular satisfaction to Mr Arnout Loudon, group chairman, who spoke last spring of the need to improve ratios.

Net income per common share advanced from Fl 1.71 to Fl 5.46 after allowance was made for a recent stock issue.

Man-made fibres had been causing serious problems for Akzo throughout the 1970s and early 1980s. Over this year's first quarter, however, an operating income in the sector of Fl 88m was recorded, against only Fl 8m in the first three months of 1983.

Chemicals, chemical products and pharmaceuticals also saw growth in the opening months of this year, but there was a dip in sales of miscellaneous products.

Petrie Stores set to buy U.S. chain

By Our Financial Staff

PETRIE STORES, the U.S. chain which operates more than 850 women's specialty clothing stores under various names in 45 states, is planning to acquire another U.S. chain in the same business for $270.2m.

Petrie said yesterday it had entered an agreement with Mr Heinz Eppler, Mr Philip Brous and Mr Myron Nickman – chairman, president and director respectively of Miller-Wohl – to purchase from them a total of 3,316,736 Miller-Wohl shares, or about 25.7 per cent of the company's outstanding capital, at $21 a share.

Miller-Wohl, whose directors were considering a leveraged buyout offer, operates more than 300 stores throughout the U.S., mainly under the names Jean Nicol, Three Sisters and Lizzie B.

Petrie said it would aquire the remaining Miller-Wohl shares in a tender offer or cash merger. The conditional agreement grants Petrie an option to acquire 2,133,000 common shares directly from Miller-Wohl.

Mr Eppler and Mr Brous are to join Petrie's board, while Mr Brous will continue as Miller-Wohl's president and will become its chief executive.

The merger will create a retailing chain with annual sales of around $490m.

Atari expects to return to surplus this year

BY LOUISE KEHOE IN SAN FRANCISCO

ATARI, the video game and home computer subsidiary of Warner Communications, which has been operating at a loss for the past 18 months, will be "positioned to move toward profitability" by July 1, declares Mr James Morgan, chief executive.

In an effort to return to profitability, the company will launch at least eight major new products covering its four markets – video game hardware and software and home computer hardware and software – before the end of the year, said Mr Morgan, who yesterday announced a new Atari video player. The new products would produce profits for Atari before the end of 1984, he predicted.

Mr Morgan revealed that when he joined Atari last September the company had as many as 40 product development programmes under way. All but 12 of them have now been axed. He has also made a number of management changes. The latest involves the sales vice-president, Mr Donald Kingsborough, who is understood to have been encouraged to leave the company.

Atari's entry into the programmable telephone market has been postponed, said Mr Morgan.

"The problem for Atari is how to enter the (telephone) market with a degree of financial conservatism," he said. "If Atari had funds, it could take the risk, but it does not." In addition, he said, "Atari has a lot to learn about the distribution and sale of sophisticated equipment. Our distribution chains would not be suited to the product."

Despite the dramatic reversal in home video game sales over the past two years, Mr Morgan remains "sanguine about the market." He estimates that hardware and software sales will together be worth at least $400m next year.

"With only two or three companies left in the business, we can make a lot of money," he said.

Vatican agrees to Ambrosiano settlement

By Alan Friedman in Rome

THE VATICAN bank, IOR, has initialled the $406m financial settlement of the Banco Ambrosiano affair, thus clearing the way for a formal signing ceremony at the end of this week.

After several days of final negotiations between lawyers for IOR (Istituto per le Opere di Religione) and representatives of Ambrosiano creditor banks, the parties agreed on a revised draft with which the Vatican was satisfied. Although the actual settlement, of which the IOR is to pay $244m, was sent to creditor banks earlier this month, the Vatican held out for last-minute changes.

In particular, the IOR has been seeking to strengthen its indemnification from further claims. The creditors' guarantees have been reworded and the IOR is now willing to go ahead. This breakthrough came after bankers and lawyers flew to Rome late last week for talks. One banker claimed the IOR was seeking indemnifications "which are well outside the scope of our agreement." But a lawyer who participated in the weekend talks in Rome said: "We have been redrafting the guarantees for the IOR and I am now optimistic."

The Vatican bank is to pay $244m to Ambrosiano creditors, representing 60 per cent of the overall settlement, "in recognition of moral involvement."

For many months the Vatican refused to accept any legal responsibility in the Ambrosiano affair. But late last year the creditors prepared an unprecedented writ for use against the IOR. Although never served, this writ and pressure from Italian authorities eventually persuaded the Vatican to agree to make a hefty financial payment.

While the claims of creditor banks against the IOR will be dropped as a result of its payment, Archbishop Paul Marcinkus, chairman of the IOR, is still under investigation by Milan magistrates for fraud in the 1982 collapse of Banco Ambrosiano. He is also under separate investigation along with two of his IOR associates concerning possible illegalities in connection with a 1972 loan of L30bn ($17.5m) to Sig Carlo Pesenti, the ailing Catholic financier

BfG sees 'satisfactory' results

BY JOHN DAVIES IN FRANKFURT

BANK für Gemeinwirtschaft (BfG), the West German trade union-owned bank, expects satisfactory results this year despite pressure on interest rate earnings.

The bank's surplus on interest rate business declined to DM 223m ($80.8m) in the first quarter of this year, compared with a quarterly average of DM 263m last year.

Taking account of commission earnings and personnel and material costs, partial operating earnings reached about DM 70m, compared with last year's quarterly average of DM 107m.

Herr Thomas Wegscheider, the chief executive, said, however, that he viewed this as a return to normal profitability after the bank's "super-profit" of 1983.

BfG more than doubled its interest rate surplus in 1982 and increased it by a further 23 per cent to DM 1.05bn last year.

After taxes, risk provisions and other adjustments, BfG made a net surplus of DM 100m and is putting all of it into published reserves to strengthen its financial position.

The bank last paid a dividend on its 1980 results. Like many other banks, it ran into problems with mismatched lending, with loans being financed by short-term borrowings at higher interest rates.

It has also had other headaches in recent years, including involvement with Poland and with Neue Heimat, the trade union movement's troubled building concern.

Herr Wegscheider said that efforts to restore Neue Heimat to health were making progress and BfG's involvement did not exceed a normal, sound level, considering the size of the bank.

Norsk Hydro to sell oil products again

BY FAY GJESTER IN OSLO

NORSK HYDRO, Norway's largest industrial and energy concern, is to begin retailing oil products again in its domestic market.

Hydro operates a chain of petrol stations in Denmark, but over recent years has been barred under an agreement with the Norwegian Oil Ministry from retailing oil products in Norway. The agreement dates from 1976, and followed the creation of Norol, the oil products marketing subsidiary of Statoil, the state oil concern.

At that time Norol acquired Hydro's oil product marketing network – including one petrol station in eastern Norway. Norsk Hydro undertook not to re-enter the market until 1991 at the earliest, on condition that it would be made operator of new capacity which is to be added to the Mongstad oil refinery in western Norway, which it owns jointly with Statoil.

Both Statoil and Norsk Hydro want the agreement annulled. Statoil wants to be responsible for operating the additional capacity at Mongstad and Hydro wants to be able to market oil products in Norway, as well as abroad.

The new deal will take effect when the Storting (parliament) approves government plans – tabled recently – for an expansion of capacity at Mongstad. Thereafter, Hydro will be looking for an opportunity to re-enter the Norwegian oil products market.

Ship and rig sales lift Fred. Olsen

By Our Oslo Correspondent

FRED OLSEN'S shipping group reports higher net profits for last year than in 1982, despite a marked decline in operating results. The five companies in the group are increasing dividens to 15 per cent from 12 per cent in 1982.

The better figures mainly reflect sharply lower financial costs and substantially increased profits from ship and rig sales.

Total operating profits fell to NKr 193.3m ($24.6m) from NKr 246.3m in 1982. The decline was most marked in the liner, passenger and bulk sectors, but even profits on offshore activities, although satisfactory, were lower than a year earlier.

The result before extraordinary items rose to NKr 37.9m from NKr 18.8m and profits before end-year allocations were NKr 76.3m compared with NKr 29.8m.

The group figures show an increase in current assets to NKr 530.3m, from NKr 368m while total debt declined to NKr 938m from NKr 1,200m a year earlier. Long-term debt was down NKr 262m to NKr 438m and short-term debt was about unchanged at NKr 500m. Net interest costs fell to only NKr 20.5m from NKr 70.7m in 1982.

Kroner earnings in several trades were boosted by last year's rise in the value of the U.S. dollar.

Norzink back in black

BY OUR OSLO CORRESPONDENT

NORZINK, the Norwegian zinc smelter owned jointly by BP Minerals International and Boliden of Sweden, achieved a pre-tax profit of NKr 40.7m ($5.17m) last year, compared with a deficit of NKr 29.8m in 1982. The improvement reflects a marked rise in world demand for the metal last year, coupled with lower raw material costs and more favourable exchange rates.

Net operating income rose by NKr 123m to NKr 664.4m. If demand for zinc continues to be good, the directors expect an even better result this year.

The company will decide before the summer whether to go ahead with plans to modernise the plant.

FRENCH ELECTRIC MOTOR MAKER PREPARES FOR A STORMY YEAR

All hands to the pumps at Leroy-Somer

BY DAVID HOUSEGO IN PARIS

SOME French companies believe the worst of the recession is behind them, but Leroy-Somer, the country's leading manufacturer of electric motors, is still battening down the hatches in the expectation of rough seas ahead.

"This will be a very difficult year – perhaps the most difficult in our history," says M Jean Paul Mestrallet, financial "comptroller" of the group. Turnover, which reached FFr 2.9bn ($341m) in 1983, will at best stagnate this year in real terms.

Leroy-Somer is a medium-sized engineering concern, which, under its combative chairman, M Georges Chavanes, has built itself an international reputation for rapidly responding to market changes. A manufacturer of small electric motors, alternators, gears and pumps, it reckons to be third in its field behind Asea of Sweden and Siemens of West Germany.

The group's new difficulties come just as it is digesting two recent major acquisitions. At the end of last year it bought King Bearing, a California-based distributor of transmission equipment, motors, gears and ball bearings with annual sales of $150m.

King Bearing enjoyed heady expansion in recent years but went bankrupt under the weight of its final charges and over-ambitious plans in Texas. For Leroy-Somer, it provides a much-needed boost in the U.S. market.

Its other major acquisition was in 1982, when it took over Alsthom-Atlantique's electric motors plant at Beaucort and its alternators division at Orleans. Alsthom-Atlantique, a subsidiary of the nationalised CGE group, has so far guaranteed losses, which amounted to FFr 27m last year. But from this year the lion's share of any deficit will fall to Leroy-Somer.

M Mestrallet is anxious about the number of industrial clients in the construction, machine tool mechanical handling sectors which have gone bankrupt. Others have reduced their orders.

More than 60 per cent of the group's turnover still derives from France – the bulk of it from industry. Leroy-Somer maintains that it has seen no sign among purchasers of its equipment of the 11 per cent growth in industrial investment being predicted this year by the Government. Its own instinct is that the buoyant official forecasts reflect increased applications of subsidised credit for investment by companies which, for the moment, will be using the proceeds to finance their cash needs.

The downturn in the French market follows a year in which Leroy-Somer saw the Saudi Arabian sales of its major subsidiary, Pompes Guinard, tumble as a result of the clampdown in irrigation expenditure in Saudi Arabia. Pompes Guinard last year lost FFr 90m-100m in sales in Saudi Arabia, though this year it has recovered much of the ground elsewhere.

The overall stagnation in sales comes at a time when competitors such as Asea and Siemens still have substantial unused capacity, and this has provoked fierce discount wars.

Like other small motor manufacturers, Leroy-Somer has also been faced for many years with the massive inroads into the European market for small standard motors by the Eastern bloc. Manufacturing at well below West European costs, the East Europeans have grabbed some 60 per cent of the French market for standard motors.

Leroy-Somer has increasingly concentrated on the production of more specialised motors. It has also developed a range of new products including heat pumps, portable generating sets which can be fitted to tractors and mini hydroelectric stations. It invested in solar-powered motors before selling out its U.S. interests to Standard Oil in the belief that the market was developing too slowly.

At the same time it has spent heavily in automating production. It is in the process of bringing on stream a flexible, computer-controlled, machine tooling workshop at its Rabion plant in Angouleme, and is looking for further cost savings in its motors division by pruning the level of stocks carried by robotised production units.

But faced with a depressed market, it is this year cutting group investment by 25 per cent from last year's FFr 150m. The Leroy-Somer parent company believes that it will have to shed 300 jobs this year through early retirement and is prepared for larger cuts in the workforce if necessary. Over the last two years it has kept wage increases below the inflation rate – a task made easier by the modest FFr 300,000-350,000 salary taken by M Chavanes himself.

In spite of its problems, Leroy-Somer does not regret its recent acquisitions. Over the medium term it reckons its European-made products could account for 15 per cent of King Bearing's turnover, which this year is expected to rise to $170m. Of the immediate FFr 97m it had to pay for an initial 50.01 per cent stake in the company, it raised FFr 22m by selling its U.S. solar interests and FFr 38m by what amounts to an interest-free six-year loan through the postponement of French tax payments.

Leroy-Somer's main concern now is to cut King Bearing's financial charges from a high (by U.S. standards) 4 per cent of turnover to 1 per cent.

With the Orleans plant, Leroy-Somer now claims to rank as number three in the world as a manufacturer of alternators.

Leroy-Somer believes it can keep its head above water in the difficult period ahead. But after its major acquisitions it is pausing for breath and plans no similar ventures for some while.

Globus plans to increase yearly payout

By John Wicks in Zurich

MAGAZINE Zum Globus, the Zurich-based department store group, is increasing its dividend for the financial year ended February 29 from SwFr 80 to SwFr 85 ($37.40) per share and from SwFr 16 to SwFr 17 per participation certificate.

The move follows a 20 per cent improvement in consolidated earnings to SwFr 18.6m. Group turnover, including sales of stores in France and Austria, rose by 5.2 per cent to a record SwFr 1.07bn.

Within this total, turnover of the Swiss Globus department stores rose by 4.8 per cent to SwFr 351m and those of the Swiss ABM chain by 2.4 per cent to SwFr 543.9m.

The group at present operates 37 shops, including special stores for men's clothing, furnishings and computer material as well as the general department stores. This year two new ABM stores are to be opened in Switzerland and one in Austria.

● New Reinsurance Company, of Geneva, is to propose the omission of a dividend for 1983 following a 9.5 per cent drop in net earnings to SwFr 1.47m. Last year, it distributed SwFr 16 per share from net profits of SwFr 1.62m.

Interim advance for Barlow Rand group

BY OUR FINANCIAL STAFF

ATTRIBUTABLE earnings at Barlow Rand rose by 19 per cent in the six months ended March, from R103.1m to R122.7m ($95.2m) despite R8·1m of additional taxes arising from changes announced by the government in March.

But for the new tax measures, earnings per share would have been up by 17.3 per cent, after allowing for the additional 12m preferred ordinary shares issued in connection with the R149m rights issue early in the current year. After allowing for the new tax measures, earnings per share at Barlows, South Africa's largest industrial group, were up by 10 per cent, from 68.8 cents to 75.7 cents.

An unchanged interim dividend of 21 cents a share has been declared, and Mr Mike Rosholt, the chairman, said "it should be possible at least to maintain the total ordinary dividend for the year at 70 cents."

Mr Rosholt said, "trading results for the six months exceeded expectations. Increased operating profits resulted from better trading and from improved efficiencies in all divisions." However, it is expected that trading conditions for the second half of the year will become more difficult.

"With the decline in the gold price, the cost of the drought and the consequent weakening of the South African balance of payments position together with the recently announced increase in general sales tax, it has become clear that the upturn, which manifested itself in the second half of the previous financial year, cannot be sustained."

Mr Rosholt emphasised, however, "the group has, as far as possible, prepared itself for this change in the business climate."

Turnover rose by 20.4 per cent to R4.71bn and group operating profits before interest rose from R350.5m to R436.2m.

Interest was up by only 10.8 per cent to R91.1m and profit before tax thus showed a 28.9 per cent leap to R392.7m. After accounting for the higher tax charges and Barlow's share of associated company profits, profit after tax showed a 26.8 per cent gain to R236.2m.

The ratio of current assets to current liabilities improved from 1.46 at end-September 1983 to 1.48 at end March. In the same six months, total liabilities to total shareholders' funds were reduced from 88 per cent to 84 per cent, and total borrowings to total shareholders' funds were pulled down from 44 per cent to 41 per cent.

With turnover up 20.4 per cent, stocks showed only a 17 per cent rise and debtors rose by a bare 15 per cent. Current liabilities rose by no more than 9 per cent.

Despite the cautious view which Barlows is taking of the immediate future, it is still proceeding with long-term investment and development plans. Capital expenditure estimates for the group as a whole now stand at R1.54bn.

Further expansion by Citibank in Asia

By David Dodwell in Hong Kong

CITIBANK HAS acquired Mercantile Bank, which has operations in Hong Kong, London, and Thailand, from the Hongkong and Shanghai Banking Corporation for HK$145m (U.S.$18.5m).

Mr Victor Menzes, Citibank's country corporate officer based in Hong Kong, said yesterday that Mercantile would retain its own name. While expansion is planned in all three of Mercantile's territories, Mr Menezes said an important attraction of the deal was its branches in Thailand, where Citibank has only a representative office and a finance company. The purchase adds a final link to its international banking chain across the countries of Asia.

The purchase comes as part of an expansion in Citibank's operations in Asia, which includes the recent establishment of Citicorp Trading Company, and the purchase of a major stake in Vickers da Costa, the UK stock broking company. While Citibank has just 29.9 per cent of the shares of Vickers da Costa in London, it owns 100 per cent of Vickers' operations in Tokyo and Hong Kong.

When Mercantile was acquired by Hong Kong Bank about three decades ago, it was predominantly an Indian banking group, with over 20 branches in India and Mauritius.

Acquisitions help ANZ lift net earnings by 36%

BY LACHLAN DRUMMOND IN SYDNEY

THE AUSTRALIAN and New Zealand Bank Group, the second largest of the private Australian banks, has reported a 36 per cent increase in net earnings to A$136m (U.S.$122m) for the half year to March 31 including A$10.4m of profits from acquisitions.

Excluding profits for nine months of operations from the fund's management group, Development Finance Corporation, which was acquired last year, returns from other segments were ahead by 25.5 per cent to A$125.4m.

This compares with the 41 per cent improvement to A$143.5m reported by Westpac Banking Corporation, the industry leader, 10 days ago and confirms the improvement in lending margins Australian banks have attained.

The opening half of last year saw volatile interest rates and squeezed margins for the banks, although for comparative terms ANZ last year performed more strongly than Westpac, which was still suffering from merger indigestion.

Meanwhile the reduction in interest rates this time is evident in the modest 4.9 per cent growth in gross income reported by the ANZ to A$1.55bn for the latest six months, although more importantly in the A$66.5m reduction in interest costs to A$833m.

However, ANZ was unable to translate this reduction in interest charges fully to the bottom line, partly reflecting a 17 per cent increase in other costs from A$420m to A$490m. Pre-tax profits rose 36 per cent to A$255m.

The bank has warned that while a satisfactory result should be achieved for the full year compared with A$197m for 1982-83 the level of growth of the first half was not expected to be maintained.

The interim dividend has been raised from 14 cents to 15 cents on capital increased by a one-for-ten scrip issue and shares issued in the DFC takeover, and remains well covered by earnings per share up from an adjusted 43.5 cents to 56.2 cents.

The earnings total broke down to a 49.5 per cent increase to A$63.5m for the Australian trading bank, a 39 per cent gain to A$16.5m for the savings bank, a 36 per cent gain from New Zealand operations to A$15m and a steady A$27m from finance company offshoots.

Email doubles profits and rejects bid from Austram

BY OUR SYDNEY CORRESPONDENT

EMAIL, the Australian white goods group, has produced a strong profits recovery, a forecast of further improvement and a scrip issue plus an increase in dividend as its riposte to an opposed takover bid.

The company has roundly criticised the partial offer of A$1.70 a share from the Austram group, which would give the bidder 50.1 per cent of Emails, as opportunistic and urged shareholders to reject. White Consolidated Industries of the U.S., a 15 per cent shareholder, has asked the Australian authorities for permission to increase its holding to 19.9 per cent.

The net earnings for the latest year to March 31 rebounded from A$7m to A$13.4m (U.S.$12.2m) as the group benefited from a two year rationalisation programme and an improvement in demand for its cookers and refrigerators and its government-related metering business.

The result represents a return of 17.2 cents a share compared with 9 cents last year and directors have recommended an increase in the final payment from 3.5 cents to 6.5 cents for a total dividend up from 8 cents to 10 cents a share. The directors intend maintaining this rate on capital to be increased by a one-for-five scrip issue, which will be sustained by forecast earnings of A$17.5m, or 22.4 cents a share for the current year.

It is these forecasts which form the basis of the directors' rejection of the offer from the little known Austram group.

The bid values Email at A$136m and compares with an asset value of $1.85 per share.

Custom Credit up by 15% at six months

By Our Sydney Correspondent

CUSTOM CREDIT Holdings, the National Australian Bank finance offshoot, has reported a 15 per cent increase in net profits to A$14m (US$12.5m) for the six months to March 31. The improvement from the depressed A$12.2m achieved by the two companies now merged as Custom Credit, however, represents a retreat from the A$16.5m profit for the final six months of 1982-83.

The lower level of interest rates led to a 7 per cent fall in gross revenues to A$227m, although this was more than offset by a 12.7 per cent reduction in the interest expenses to A$147m. Profits before tax were 4.5 per cent ahead at A$21m.

In the 12 months between the two interim reports Custom Credit saw net receivables slip from A$2.48bn to A$2.41bn as new business went ahead by 8 per cent, and the group selectively reduced its involvement in real estate. This process caused it to call on A$14m of previously established loss provision in the half-year as it unloaded its worst properties.

The directors noted that the de-regulation of the Australian financial system was producing even stronger competition for available business and that receivables growth and margins would continue to be under pressure.

Higher tax hits Suzuki Motor

BY OUR FINANCIAL STAFF

SUZUKI MOTOR lifted parent company pre-tax profits by 10.9 per cent to Y10.82bn ($46.4m) in the year to March 31, but, after higher corporation tax, net earnings were 24.1 per cent lower at Y5bn. Sales fell by 3.3 per cent to Y524·26bn.

Earnings per share fell to Y21.89 on 296m shares from Y23.37 on 282m shares but the final dividend is raised from Y3 to Y3.5 lifting the total from Y6 to Y6.5 per share.

Net earnings for the current year are forecast to rise by 10 per cent to Y5.5bn and pre-tax profits by 1·7 per cent to Y11bn on sales up by 10.6 per cent to Y580bn. The company intends to maintain the dividend at Y6.5 a share.

Import now—make it later

BY ELAINE WILLIAMS

Hugh Routledge

Valerie Baillie: confident that she will have her own factory within the next two years

IT IS a far cry from working for a big company promoting the virtues of its computers to setting out on your own selling imported industrial and domestic awnings. Yet, that is the route that Valerie Baillie decided to take after talking to a colleague in a local pub.

Baillie's job as a communications manager involved much travelling around Europe, particularly the Netherlands, France and West Germany. She noticed how attractive continental homes looked with brightly coloured awnings. Large numbers of office blocks also had external blinds for sun protection.

When she pointed this out to her friend, Gerald Kujawsky, over a drink and pondered on whether there was a market for such awnings in the UK, he was immediately interested because he had worked for a blind and awnings company in his native West Germany while he paid his way through university.

"We floated the idea past a few people—friends, a City accountant, our solicitor. The response was enthusiastic," recalls Baillie. "We did a test advert last September to find out the response in commercial and industrial fields and now we have several quotes for contracts worth between £10,000 and £40,000."

Kujawsky handled all the negotiations with Merkel, one of the largest blind companies in West Germany, based at Baiersdorf near Nuremburg. Merkel has about 14 per cent of the domestic market and a turnover of about £10m, selling up to 18,000 awnings a year. Kujawsky estimates that about 40 to 60 per cent of homes in West Germany have external awnings, but the figure is only 1 per cent in Britain.

Surprisingly, Merkel sells only to German-speaking countries so Kujawsky and Baillie managed to obtain the rights to the UK and other English-speaking nations for their company, Continental Awnings.

Their business is not capital intensive. Awnings cost between £300 and £1,000 and as is usual with many "made-to-order" businesses, Continental Awnings will ask for a deposit of between 30 and 50 per cent of the total cost. Baillie was able to raise £25,000 from Lloyds Bank with little difficulty.

Continental Awnings will aim at the upper end of the market. Offices as well as restaurants and pubs are among its targets and marketing will be done through advertising and direct mail aimed at architects, office and factory administrators, initially in the southern half of England.

Benefits for offices, maintains Baillie, are that awnings reduce glare and help to avoid overworking air conditioning systems, while awnings on pubs mean "that the kids sitting in the garden don't have to rush to the car when it rains."

Baillie admits that she finds awnings much more exciting than computers. Her decision to leave the computer industry was prompted by frustration at the realisation that, as a woman, further promotion would be difficult. Only by setting up her own company will she have the freedom to try out her own ideas, she explains.

Soon Baillie, a single parent with a *10-year-old daughter*, will move from part- to full-time working at the small offices and showrooms at Kennedy's garden centre at Twyford, near Reading. Kujawsky, trained as a computer scientist, left his old job in February and has been supervising construction at the centre.

Outside the wooden building two swimming pools are under construction as the company also took over an Australian company franchise for the pools as a way of getting onto the prime site.

This, too, was a lucky chance as Baillie's solicitor had a client who was looking for such an outlet to sell the pools and Kennedy's wanted to add swimming pools to its complex.

This year Baillie is aiming for sales of £100,000 mainly with a part-time staff—mostly friends. If sales in Britain reach a target of 300 awnings a year Continental Awnings will start manufacturing here. Merkel is willing to provide funds and the knowhow. Valerie Baillie is confident that she will have her own factory within the next two years.

Co-operatives

IN LAST Tuesday's article on co-operatives the figure for public investment in the private *sector should have been £5.4bn* and not £5.4m.

Tim Dickson reports on the increasing potential of executive share schemes

When loyalty may be bought with 'golden handcuffs'

SMALL COMPANIES in the UK are currently displaying a lively interest in executive share schemes. Accountants, solicitors and the Inland Revenue all report a surge of inquiries from *businesses of all shapes and sizes* following the announcement in this year's Budget of new concessions for executive share options. Other factors, however, have combined to boost the appeal of what until not very long ago was considered the large, quoted company's preserve.

The case for an employee share scheme is far from unambiguous. Small, unquoted companies are typically controlled by small groups of people, often members of the same family who may not relish having outside minority shareholders with legal rights intervening in the company's affairs. It has also been argued that a small stake of an unquoted company is a dubious privilege and holds out little prospect of worthwhile gain.

Attitudes, however, appear to be slowly changing.

● While manufacturing activity has been in relative decline, for example, the service sector of the economy has been expanding fast. The majority of new companies (software houses, design consultancies, for example) are "people businesses" dependent on the skills and loyalty of key employees both inside and outside the boardroom. A "slice of the action" through an employee share scheme is thus increasingly being considered as a valuable way of recruiting, retaining and motivating these important individuals.

● More companies than ever before are now aiming to go public either through a full listing on the Stock Exchange or by joining the burgeoning Unlisted Securities Market (USM) or the Over-the-Counter (OTC) markets. No ambitious business plan these days is complete without an indication that a listing of some sort is part of the medium term strategy. Such an objective, if fulfilled, enables employee shareholders to cash in on their success.

● The rapid growth of venture capital in the UK has also been a significant influence. Encouraged largely by experience in the United States, UK-based venture capitalists now only invest their money in companies whose management teams are suitably motivated to do well. This often means key employees having a stake—or the opportunity to purchase a stake—in the capital appreciation of their business, as well as a satisfactory income.

● The pressure on unquoted companies to set up employee share schemes is obviously increased when quoted competitors (take advertising agencies or insurance brokers, for example) already have schemes in place.

Unquoted companies, however, enjoy some powerful advantages over their quoted counterparts, according to David Reed, a tax expert with London-based solicitors Clifford-Turner. The constraints, such as limitations on numbers of shares which Stock Exchange Rules and institutional investors' Investment Protection Committee guidelines impose, for example, can mostly be avoided. And, more important, minority shareholdings in unquoted companies can be valued at the time options are granted on a heavily discounted basis to reflect the very limited rights enjoyed by a smallholder. The point here is that a huge potential capital appreciation can be enjoyed by an executive who either buys or receives an option over shares in a company when it is small and unquoted and who divests a few years later after a public listing has been obtained.

Finally, but crucially, shares or options in an unquoted company can effectively act as "golden handcuffs" on key employees tempted to move. Schemes can (and advisers say should) be designed so that outgoing employees have to sell their shares or relinquish their options and thereby forfeit their stake in the future growth of the company.

Broadly speaking, companies can either make a block of shares directly available to chosen employees (say under the profit sharing provisions of the 1978 Finance Act) or set up a share option scheme, using the provisions outlined in the current Finance Bill (see bold inset). The Inland Revenue says it has been fielding numerous inquiries since the budget and already has more than 20 outline schemes awaiting approval. A Revenue spokesman, however, emphasised that no action can be taken until the Bill reaches the statute book.

Fashioned for a selected few

MUCH of the recent interest in employee share participation has been sparked off by details in the Finance Bill of a new Inland Revenue-approved share option scheme. The scheme is open to listed and unlisted companies alike, although options generally cannot be granted on the shares of a subsidiary.

This scheme should not be confused with the established Inland Revenue approved Save As You Earn (SAYE) share option scheme, introduced in the 1980 Finance Act. Under this participants can claim substantial tax advantages but have to enter into a regular savings contract either with a building society or the Department for National Savings (shortly to go up from a maximum £50 to £100 a month) for at least five years. The employing company, moreover, is required to make membership of the scheme available to all their qualifying full-time employees.

Options under the new scheme, by contrast, need not be granted to all employees; no regular saving is required; and the sums involved and potential gains to the employee can be significantly larger.

Although "unapproved" schemes of this nature have been used in the past, they were widely considered unattractive since participants had not only to pay income tax on any gain arising, but had to meet this liability to the taxman at the moment their option was exercised. Under the proposed new arrangements capital gains tax will be chargeable (this is 30 per cent compared with a top marginal income tax rate of 60 per cent) and it will only apply on the eventual disposal of the shares when cash proceeds arise.

The main conditions which have to be met to gain Revenue approval are as follows:

● The price paid on the exercise of the option must be clearly stated at the time it is granted and must not be "manifestly" less than the then market value.

● No option may be exercised earlier than five years or later than ten years after the date on which it is granted. Employees may not exercise options more frequently than once every three years.

● Participation is restricted to full-time directors and employees. An individual in close companies (broadly one controlled by five or fewer shareholders) may not join if — together with associates — he or she owns more than 5 per cent of the shares.

● The rights of an employee cannot be transferred, though if an employee dies his or her personal representatives can exercise the option within a year.

Some lobbyists are hoping that some of the restrictions may yet be eased. But according to George Copeman, an expert on employee share schemes at Copeman Paterson, "the only change likely in the Bill as it now stands is some extra guidance on takeovers."

A profitable route to participation

"WHEN WE were setting up the company last July," explains David Bean, managing director of Bath-based software engineers Praxis Systems, "we decided we wanted to create a top quality working environment.

"The aim was to develop some notion of democracy among employees and to make them realise their value to the company by sharing in its capital appreciation."

Many start-up businesses, of course, bite the dust in Year One—but Praxis, which uses formal engineering design methods and works for major companies like GEC and ICL, has happily got off to a flying start.

The company is confident that it will "comfortably exceed" its projected first year turnover of £410,000 and has already passed its profit target of £78,000; it boasts a payroll of 22 which it expects to double over the next 12 months; and it seems to be more than justifying the decision by Coutts Bank to provide a £75,000 loan under the Government's Loan Guarantee Scheme. (Bean admits that finance might well have been obtained elsewhere but by keeping 100 per cent of the equity, he points out: "We have something to give away if we want to step up our expansion.")

Bean, formerly manager of R and D at Logica VTS in Swindon, and Praxis chairman, Martyn Thomas, (formerly deputy director of the South West Universities Regional Computer Centre at the University of Bath) decided that employee participation was best achieved in their case through a profit-sharing scheme under the terms of the 1978 Finance Act. The latest provisions on share options had not been introduced when they started work on the scheme six months ago though Bean says they might be helpful in the future.

Under the profit-sharing scheme the company provides funds to trustees out of its annual profits. They purchase shares and earmark ("appropriate") them for the benefit of individual directors and employees.

Normally the trustees have to hang on to them for at least two years, but income tax on the gain can be completely avoided if the transfer is delayed until the seventh anniversary of "appropriation." Thereafter disposals are subject just to capital gains tax. As Bean points out one of the advantages of the scheme is the way profits are retained for the development of the business.

Praxis, meanwhile, is also setting up another trust (also financed by loans from the company) which will act as a market maker buying and selling shares from employees at prices based on an independent valuation. "The whole idea of the profit-sharing arrangement is that our *employees* should benefit and as a private company we cannot afford to see our shares drifting into the outside world. We therefore want to make sure that individuals sell their stakes back to this second trust when they leave."

Praxis, however, has not yet been able to persuade the Inland Revenue to agree to a condition that the trustees of the first trust should be required to sell to the second trust in these circumstances.

Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Franchises

Plant and Machinery

Business Services

Office Equipment

Businesses for Sale

Businesses For Sale

THE ASSETS AND BUSINESSES OF THE FOLLOWING COMPANIES ARE FOR SALE AS A RESULT OF THE RECEIVERSHIP OF LONDON AND LIVERPOOL TRUST PLC AND CERTAIN OF ITS SUBSIDIARIES

BUSINESS EQUIPMENT DISTRIBUTION, SUPPLIES AND MAINTENANCE

COPY CONSULTANTS (WESTERN) LIMITED WEST COUNTRY
Distributors of photo copiers, together with maintenance and supplies, photographic equipment, facsimile and telex transmission equipment and graphic supplies.
Turnover is approximately £3.2m

KINGSTON COPIERS LIMITED
HULL
Distributors of photo copiers, together with maintenance and supplies.
Turnover is approximately £550,000

TALBOGRAPHIC LIMITED
LEICESTER
Distributors of photo copiers, together with maintenance and supplies, facsimile and telex transmission equipment.
Turnover is approximately £1.9m

TRANSCOPY (NORTHERN) LIMITED
NOTTINGHAM
Distributors of photo copiers, together with maintenance and supplies.
Turnover is approximately £500,000

EDINBURGH BUSINESS MACHINES LIMITED
EDINBURGH
Distributors of photo copiers, together with maintenance and supplies, facsimile and telex transmission equipment.
Turnover is approximately £1m

A.M. WATSON COPIERS LIMITED
EDINBURGH
Distributors of photo copiers, together with maintenance and supplies, facsimile and telex transmission equipment.
Turnover is approximately £170,000

STRATHCLYDE OFFICE SERVICES LIMITED
GLASGOW
Distributors of photo copiers, together with maintenance and supplies and facsimile transmission equipment.
Turnover is approximately £1m

STRATHCLYDE REPROGRAPHICS LIMITED
GLASGOW
Distributors of photo copiers, together with maintenance and supplies.
Turnover is approximately £200,000

S.C. GRIEVE (OFFICE EQUIPMENT) LIMITED
ABERDEEN
Distributors of photo copiers, together with maintenance and supplies, facsimile and telex transmission equipment.
Turnover is approximately £600,000

NEW VENTURES

FAXCOM (LONDON) LIMITED
LONDON
Distributors of facsimile transmission equipment.
Initial 5 months turnover £50,000

TENCOM COMPUTER SERVICES (LONDON) LIMITED
LONDON
Distributors of micro computer hardware.
Initial 5 months turnover £260,000

OFFICE COMMUNICATIONS CENTRE LIMITED
LONDON
Distributors of telex transmission equipment and radio paging systems. Operators of a retail colour copying service.
Initial 5 months turnover £120,000

EXHAUST MANUFACTURE AND DISTRIBUTION

ERNEST BARNES (MOTOR FACTORS) LIMITED
HULL
Distributors of exhaust systems to trade and retail customers.
Turnover is approximately £350,000

E.M. EXHAUST MANUFACTURING (STOKE ON TRENT) LIMITED
STOKE ON TRENT
A manufacturer of a range of exhaust systems selling to distributors and parts suppliers.
Turnover is approximately £1.4m

J. LLOYD & SONS (SILENCER SERVICE) LIMITED
STOKE ON TRENT
Distributors of exhaust systems to trade and retail customers.
Turnover is approximately £450,000

THOMAS GLOVER (MOTOR FACTORS) LIMITED
BOLTON
Distributors of exhaust systems to trade and retail customers.
Turnover is approximately £750,000

ENGINEERING AND DISTRIBUTION

HARTLEY PRECISION ENGINEERING CO. LIMITED
MERSEYSIDE
Precision engineering sub contractors, manufacturers of tools and machinery and general engineering.
Turnover is approximately £750,000

HIATT & CO. LIMITED
BIRMINGHAM
Manufacturers and distributors of police and security equipment together with other specialized metal products.
Turnover is approximately £800,000 of which some £300,000 is to export customers.

HIATT HARDWARE LIMITED
BIRMINGHAM
Importers and distributors of general hardware.
Turnover is approximately £600,000

OFFICE SUPPLIES, EQUIPMENT AND FURNITURE

L.O.S. OFFICE SUPPLIES LIMITED
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TECHNOLOGY

EDITED BY ALAN CANE

DIVERSIFICATION AND TIGHT CONTROL LEAD TO INDUSTRIAL RECOVERY

'You're only as good as your last cast'

BY PETER MARSH

WHEN Jim Mills took over as chief executive of a castings company in the Midlands after a management buy-out, his fellow directors presented him with a mounted bicycle clip.

The device was to assist Mr Mills's get-away in the event of a decline in the company's fortunes. At the time of the buy-out, three years ago, the outlook for Metal Castings of Worcester was less than auspicious.

Mr Mills and his three directors had just purchased the company from Lesney, the ailing toy enterprise which later went into receivership.

The industry of which the company was part had gone into steep decline. Output of aluminium castings in the UK had decreased from 58,000 tonnes in 1973 to 35,000 tonnes just eight years later. (The figure for 1983 was 32,000 tonnes.)

Pressure from customers to increase the quality of castings was growing ever tighter, driving companies either to despair or to the bankruptcy courts.

But Mr Mills has not needed his bicycle clip.

His company has expanded its share of the British aluminium castings market from 15 per cent in 1980 to 19 per cent last year.

Metal Castings bases its business on either buying or developing technology to control more tightly the intricate operations that take place during the casting process.

Investing in new ideas can be a risky business in an industry where margins are tight and where customers are unlikely to think kindly of bold experiments that fail.

"We've taken a few fliers on technology, but the gamble have mainly come off," declares Mr Mills. "In this business, you're only as good as your last cast—and your last price."

The company aims to spend £500,000 a year (out of a turnover of £14m) on new hardware. This includes additions to a small army of robots that take objects out of the company's 70 or so die-casting machines.

With the machines, molten aluminium at 700 deg C is spurted under high pressure between the two halves of a die. This produces a metal component of a shape that may be highly intricate.

A die-casting machine can cost up to £150,000. In the absence of suitable hardware from Britain, Metal Castings purchases mainly from foreign suppliers such as Idra and Triulzi of Italy or Wotan, a company in Germany.

Metal Castings of Worcester has brought process-control techniques to die-casting machines such as this one. A fitter here checks on a die used to turn out intricate metal parts in their tens of thousands

Within the past year, Metal Castings has diversified into other areas. It has:

- Designed a control system that links robots to casting machines. The company hopes to sell the hardware to other process-control industries.
- Developed and installed a system of energy-saving furnaces which cuts the company's costs for melting aluminium by about £80,000 a year, a reduction of some 30 per cent.
- Signed an agreement with Elmonta, a company in Denmark, under which the latter sells the furnaces together with another invention from Metal Castings, a set of automated handling devices that ladle molten aluminium into casting machines.
- Developed its own expertise in computerised machining. The company has bought, secondhand, a computerised machining centre that will shape finished castings to give a better service to customers.

According to Mr Mills, these developments have been driven by the need to increase the quality of the company's products. In the past five years customers have become more fussy about the standard of castings.

This, in part, reflects the move by Britain's car makers to raise the quality of its own products. The car industry buys half of the Worcester company's output of some 20m castings a year (which may come in up to 500 different shapes and sizes).

The customers include BL, Ford and Vauxhall which, for example, buy castings for engine parts. The consumer-products industry buys a further 25 per cent of Metal Casting's production. The industry uses the castings in items such as food mixers, washing machines and toasters.

Metal Castings employs 40 out of its workforce of 650 to check on the quality of castings, using instruments such as X-ray machines. The equipment examines metal for faults and ensures that parts are made to tolerances sometimes to within a few hundredths of a milimetre.

Outside the car industry, the company is probably Britain's biggest owner of fully programmable robots. It has 17 of the devices, supplied by either Unimation or Rimrock, both of the U.S. The company installed its first robot in 1969—"they're not novel any more," says Peter Watts, the plant engineer.

The robots wheel away in a set routine, first to grab a metal part from between the two halves of a die, then to cool the component by dunking it in a bath of water and, finally, to present it to a trimming machine that slices off unwanted pieces of metal.

Metal Castings has three more "ladle" robots that it developed itself and which Elmonta of Denmark sells for about £7,000 each. These devices scoop a measured volume of molten aluminium from a vat and pour it automatically into the die-casting machine.

A piston then pushes the liquid between the twin parts of the die, where it remains for perhaps a few seconds, compressed by a force of up to 1,400 tonnes, before the two halves spring apart.

Mr Watts explains that to keep constant the quality of finished parts, it is vital to control accurately each segment of the die-casting operation. In the days before automation, to supervise individual parts of the operation, for example, the volume of metal that enters the die and the time it stays there.

Metal Castings wanted an electronic control system to supervise the different stages automatically. "We couldn't buy what we wanted," says Mr Watts. "So we built our own."

The result is the Metal Castings Universal Control System, of which the company has made two. It plans to sell the £20,000 system to other organisations.

In another area of innovation, the Worcester company modified its furnaces that melt aluminium bars. The furnace's output must be transferred into small vats which journey to each die-casting machine by fork-lift truck.

The company used to operate two big gas-fired furnaces each of which produced two tonnes of molten aluminium an hour for 24 hours a day.

Every three minutes, workers had to stop the heating operation to tilt metal from the furnaces into the vats. The process wasted a lot of energy because, during each tilting, the metal cooled.

Metal Castings hit on the notion of designing small, highly insulated "holding" furnaces which receive metal from the big furnaces only every 45 minutes and from which the vats are topped up.

With two of the new containers, which are powered electrically and hold up to 6 tones of aluminium, the company thinks it will need to operate only one of its big furnaces, cutting energy costs. To melt one tonne of aluminium costs £15 with the new method, a reduction of £6.

Mr Watts developed the new furnace jointly with an engineer called David King, who is the British representative of Elmonta. They called the invention the WattKing Holder. Elmonta sells the furnaces for about £42,000 each.

One technical area that Metal Castings prefers to shun concerns the manufacture of the dies themselves. To produce these—from a set of drawings provided by the customer of the part it wants made—is a highly skilled engineering task.

Metal Castings subcontracts ths job to specialist companies

NAVIGATION

Military turn for laser gyroscopes

BY MARK MEREDITH

A TECHNOLOGICAL revolution is under way in the navigation equipment carried on aircraft, as laser-based systems challenge the traditional spinning gyroscope at the heart of the equipment.

The laser gyroscope will eventually become standard for rocket and missile guidance systems—it could even find employment in the machinery used in drilling for oil.

Preparing for fierce commercial battle are half a dozen U.S. and European producers of ring laser gyros, a system which has made an entry into civil aviation but has yet to penetrate the lucrative and demanding military market.

These producers have their eyes on the 1,000 or so aircraft produced in the U.S. and the hundreds produced in Europe—not to mention thousands of potential replacements, at possibly £70,000 a time, for aircraft like the F-5 Freedom fighter, the F-4 Phantom, the A-4 Skyhawk and the F-18 Hornet.

At the heart of an aircraft's navigation system is the gyro, which directly gives the pilot constant information about the attitude of his aircraft: its pitch, roll and heading.

Until now the "iron" gyros have become established and accepted rather like more durable versions of the Swiss wind-up watch. The systems use a cluster of three gyros set at right angles to the up-down, side to side, and forward movements. Gimbals keep the spinning gyros stable in one position whatever the movement of the plane.

Instruments measure the movement on the aircraft in relation to the position of the gyro to tell the pilot the attitude of his plane. His position in relation to where he started is calculated by linking the gyros to accelerometers, sensors which act like pressure pads measuring the force of movement.

The development of the ring laser gyro eliminates the need to have a gimballed system.

Movement is monitored by three triangular laser tubes set against the three axes. Laser beams are fired in two directions around each tube bouncing off mirrors in the corners.

When the gyro is still, the frequencies of the two laser beams in each tube are the same. But when the tube is rotated with the movement of the aircraft, the length of the optical path of each beam changes—one gets longer, the other shorter, resulting in a difference in resonant frequency between the two beams. Optical sensors pick up the difference in frequencies. Computers collate the information from each tube along with the accelerometers to provide the pilot with his position over the ground and the altitude of his plane.

The ring laser gyro has been in development for 20 years with the most intensive work carried out over the past few years. All manufacturers have had to overcome a fundamental problem in that lasers failed to monitor small rotary movements. Companies such as Ferranti had to develop devices—"dithers"—to vibrate each laser just enough to bridge this small range of movement.

More problems were to come when the system was applied to military uses.

The civil aviation environment is considered benign by military standards. A civilian airliner seldom rolls more than 50 degrees a second whereas a jet fighter might need to perform 400 degrees in the same period.

But the military have so far failed to give the ring laser the go-ahead because of continued weaknesses with high velocity rotation.

The Royal Aircraft Establishment at Farnborough has just taken competitive bids from Ferranti and British Aerospace to produce a system which will overcome these problems.

All this said, it is not the price or—at the moment—the performance of the ring laser gyro that will see it on to the order books of the world's airforces. It is the costs of maintenance.

David Nisbet, head of inertial navigation systems with Ferranti's Scottish Division, explains that the laser allows near plug-in replacement compared with complex removal and repair for the gimballed gyros.

"Maintenance costs are about four times less based on civil aviation experience," he said.

Cellular radio

Racal—new test units

SUITABLE TEST units for the cellular radio system the company will be putting on trial in December have been announced by Racal.

The CE 4416, from Racal-Dana, is a compact microprocessor controlled system. It consists of a controller, monitor and printer offering accurate high speed testing via menus that guide the technician through each function with minimum training.

Cost and test time are reduced by combining in one system the necessary communications instrumentation and a micro-based controller that duplicates the command structure of the cellular network. The controller can function as a stand-alone digital decoder at the cell site and also offers a programmer for coding the memories used in the users' transceivers.

Facsimile

HF radio techniques

COSSOR ELECTRONICS has developed a digital system for the transmission of facsimile signals over a high frequency (HF) radio link.

The equipment is expected to interest the offshore industry, defence organisations and other bodies that operate in remote locations where HF radio is the only feasible means of communication.

Cossor says that the use of digital transmission has eliminated problems that might be caused by fading and multi-path transmission interference.

The system uses Cossor's CGT1870 multitone HF data modem and the NEC Nefax-4500 desktop facsimile transceiver. CCITT Group 3 standards are employed. More on 0279 26862.

Company Notices

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED
GRIQUALAND WEST DIAMOND MINING COMPANY, DUTOITSPAN MINE, LIMITED
(Both incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that the directors of the abovementioned companies have declared dividends in respect of the six months ending 30th June, 1984, payable to shareholders registered in the books of the respective companies on 29th June, 1984. The dividends have been declared in the currency of the Republic of South Africa. [illegible]

Company	South African Currency Per Share
Consolidated Company Bultfontein Mine, Limited	4.5 cents
Griqualand West Diamond Mining Company, Dutoitspan Mine, Limited	20.5 cents

By Order of the Boards
For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

London Office: 40 Holborn Viaduct, London EC1P 1AJ
Office of United Kingdom Transfer Secretaries: Hill Samuel Registrars P.L.C., 6 Greencoat Place, London SW1P 1PL

22nd May, 1984.

FLEMING JAPAN FUND S.A.
Société Anonyme d'Investissement
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 8.392

Dividend Notice

A dividend of $US 0.40 has been declared payable as from May 15th, 1984 against remittance of coupon n° 14. The record date has been fixed at May 8th, 1984 and shares will quote ex-dividend as from May 15th, 1984.

Paying agent:
Kredietbank S.A. Luxembourgeoise
43, boulevard Royal
Luxembourg

Fleming Japan Fund S.A.
By order of the Board
The secretary

European Investment Bank

EUROPEAN INVESTMENT BANK
7¼% 1973/1988 FFr 200,000,000 Loan

Notice is hereby given to bondholders of the above Loan that the eleventh redemption of FFr 7,000,000 was effected before May 15, 1984. Amount outstanding on May 15, 1984: FFr 123,000,000.

Luxembourg, May 22, 1984.

ASSOCIATED MUNICIPALITIES OF DENMARK
US$15,000,000 5¼% 1984

HAMBROS BANK LIMITED hereby gives notice that in accordance with the terms and conditions of the above loan, the final redemption due 30th June 1984 will be effected by the drawing at par of all outstanding bonds. The drawn bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA, or to the other Paying Agents named on the bonds. For payment in London, bonds will be received on any business day and must be left three clear days for examination.

HAMBROS BANK LIMITED
22nd May 1984

NATIONAL COMMERCIAL BANKING CORPORATION OF AUSTRALIA LIMITED
(Incorporated in the State of Victoria, Australia)

NOTICE IS HEREBY GIVEN that the Registers of Members and Transfer Books of the Company will be closed on 8th June, 1984 for one day only for the purpose of payment of the interim dividend on 26th June, 1984. Transfers must be lodged not later than 5 p.m. on 7th June, 1984.

By Order of the Board of Directors
P. I. COCHRANE, B. COMM., F.C.I.S.
Secretary

Contracts & Tenders

NOTICE INVITING TENDERS FOR GAS CYLINDERS

Sealed Tenders are invited from reputed firms for the supply of H P Breathing/Compressed Oxygen Cylinders (815 Nos.) H P Compressed Air Cylinders (386 Nos.) and H P Nitrogen Cylinders (480 Nos.).

Specifications and Tender forms can be obtained from the following citing Ref No. SW/CI/8303005:—

Director (EDP)
Supply Wing
High Commission of India
Aldwych, London WC2 4NA

Completed Tender Forms are required to reach us by 3 pm on 2nd July 1984.

FINANCIAL TIMES
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FT COMMERCIAL LAW REPORTS

Shipowners must supervise charts

THE MARION: House of Lords (Lord Diplock, Lord Scarman, Lord Roskill, Lord Brandon of Oakbrook and Lord Brightman): May 17 1984

A SHIP'S managers should maintain a proper supervisory system to ensure that charts used by the master are kept up-to-date, and their failure to carry out that responsibility is the actual fault of the shipowner and renders him fully liable for navigational damage resulting from use of outdated charts.

The House of Lords so held when dismissing an appeal by Grand Champion Tankers Ltd, owners of the Marion, from a Court of Appeal decision that they were not entitled to limitation of their liability for damage caused by the Marion to an oil pipeline owned by Norpipe A/S of Norway and others.

Section 503 of the Merchant Shipping Act 1894 as amended by the Merchant Shipping (Liability of Shipowners and Others) Act 1958, provides: "The owners of a ship . . . shall not, where . . . occurrences take place without their actual fault or privity . . . be liable to damages beyond the following amounts . . ."

* * *

LORD BRANDON said that on March 12 1977 the Marion arrived at Teesside to load a cargo. She was obliged to wait for a loading berth, and her master chose to anchor about one mile from the Tees Fairway buoy.

Four days later a loading berth became available and the Marion tried to weigh anchor. Her efforts failed because the anchor had fouled an oil pipeline on the seabed.

The pipeline was severely damaged and on September 27 1977, 13 oil companies brought an action against the shipowners for negligence. The damages claimed exceeded $25m.

The shipowners admitted liability, but began an action of their own claiming that they were entitled to have their total liability limited to £982,292, pursuant to the Merchant Shipping Act 1894-1979.

Mr Justice Sheen granted them a decree of limitation of liability. The 13 oil companies successfully appealed to the Court of Appeal, which ordered that the decree be refused.

*

In the present appeal it was common ground that the immediate cause of the damage to the pipeline was the master's negligence in navigating by reference to a long-obsolete chart on which the pipeline was not shown.

Also, it was common ground that the shipowners were only entitled to have their liability limited if they could prove that the damage occurred without their actual fault; and that since they had delegated management of the Marion to an English company, the person whose fault would constitute their actual fault was that company's managing director.

There was a time when courts dealing with contested limitation actions considered that shipowners or managers sufficiently discharged their responsibilities if they appointed a competent master and left questions of navigation to him.

That former approach had been out of date for more than 20 years. In *The England [1973] 1 Lloyd's Rep 373, 383* Sir Gordon Willmer said "it is no longer permissible for owners or managers to wash their hands so completely of all questions of navigation, or to leave everything to the unassisted discretion of their master."

That should now be regarded as the correct approach in law to the problem of actual fault of shipowners or managers in contested limitation actions.

*

In the present case the managers' system with regard to charts was to make the master of the Marion solely responsible for ensuring that current versions of charts were on board, obsolete charts destroyed, and current charts kept corrected and up-to-date.

Deliberately and as a matter of considered policy, the managing director did not exercise any supervision over the way in which the master performed those responsibilities. Because of lack of supervision the managers were blissfully unaware that the master had, for years, a curious propensity for using out-of-date charts or uncorrected charts.

In considering whether that lack of supervision was a fault on the managers' part, the practice of other reputable shipowners was relevant, though not decisive unless the evidence was all one way.

Mr Justice Sheen concluded that on the evidence a prudent shipowner was entitled to regard the provision of charts as the responsibility of the master. The Court of Appeal did not accept that finding, and the evidence in the present appeal also showed that it could not be supported.

The evidence was that a majority of reputable shipowners were not content with such a system, or lack of system. That majority, while relying primarily on their masters for obtaining and maintaining charts, exercised a degree of supervision. The practice of relying solely on the master without supervision was characteristic mainly of shipowners in the U.S.

The Marion operated under the Liberian flag. It was the shipowner's duty to pay regard to present and past Liberian Notices to Mariners. In March 1972 the Liberian authorities had issued a notice stating that all ships should carry up-to-date charts. In August 1972 a further notice was issued stating that reports showed an alarming increase in navigational casualities attributable to failure to have up-to-date charts on board.

In the Court of Appeal Lord Justice Dunn said that in the light of the notices the practice of leaving the correction of charts wholly to the master was fraught with danger and not consistent with the high standard of care which Mr Justice Sheen held was owed by shipowners in relation to charts.

Proceeding on the basis of the relatively new approach referred to in *The England*, his Lordship agreed with those strictures on the managers' system. It was their managing director's duty to ensure that an adequate degree of supervision in that field was exercised, either by himself or his subordinates. His failure to perform that duty constituted, in law, actual fault of the shipowners.

*

Early in 1976 the Marion went to Genoa dockyard for repairs and maintenance. While she was there an inspection was carried out on behalf of the Liberian inspection division. The report was sent to the managers with the devastating comment, "Navigational charts . . . corrections omitted for several years."

It was received when the managing director was absent in Greece, and he was not informed about it. More than six weeks later his subordinate wrote to the master requiring him to ensure that all charts were regularly corrected and that obsolete copies were destroyed. He asked the master to acknowledge receipt of the letter, and to advise him of progress made in rectifying the deficiencies referred to in the safety inspection report.

The master did not acknowledge receipt of the letter, but the subordinate reasonably inferred from his subsequent requisitions for new charts, that he must have received it. There were no progress reports.

The managing director, during his absence, was in frequent contact with his company and there would have been no practical difficulty about his being informed of the inspection report and its contents.

It was an inescapable inference from the fact that he was not told of the report that the instructions which he left behind him when he went to Greece, with regard to matters about which he should be kept informed, were insufficiently clear, precise or comprehensive.

If that inference were drawn, as it must be, it followed that it was at least in part the managing director's own fault that he was not told about the report. Insofar as it was his own fault it constituted, *as a matter of law*, actual fault of the shipowners.

*

There were two actual faults of the shipowners: first, in the managing director's failure to have a proper system of supervision in relation to charts; and secondly, his failure when departing for Greece, to give his subordinates sufficiently clear, precise and comprehensive instructions on matters about which he was to be kept informed.

Had the managing director had a proper system of supervision, or been promptly informed about the inspection report, the likelihood was that the master would have been persuaded to abandon his propensity for navigating with obsolete charts or, if incapable of reform, would have been relieved of his command.

In those circumstances it was impossible for the shipowners to establish that the two actual faults committed did not contribute to the damage to the pipeline.

The Court of Appeal was right to reverse Mr Justice Sheen's decision. The appeal should be dismissed.

Lord Diplock, Lord Scarman, Lord Roskill and Lord Brightman agreed.

For the shipowners: Anthony Clarke QC and Jeremy Russell (Clyde & Co.).

For the oil companies: Gordon Pollock QC and David Steel QC (Coward Chance).

By Rachel Davies
Barrister

UK COMPANY NEWS

A B Foods profits down by £19.8m

INCLUDING a much reduced contribution from the Premier Group of South Africa, which was sold June 30 1983, down from £51.9m to £12.4m, taxable profits of Associated British Foods emerged £19.8m lower at £126.7m for the year ended March 31 1984. Excluding Premier turnover for the full period advanced by £286m to £2.77bn.

The directors say that one effect of the sale of Premier, profit on which gave AB Foods £103.3m, was the elimination of overseas borrowings amounting to £174m.

Sales in the UK exceeded £2bn for the first time, and trading profits rose by 9 per cent to £70.2m (£64.3m). The directors say this increase was partially offset by the overseas division where the trading surplus at £29.4m, after allowing for exchange rate differences, was £31m lower.

Group trading profits totalled £97m, compared with £95.8m, and apart from the contribution from Premier, the pre-tax figure included much higher investment income of £23.7m (£4.5m)—as a result of the Premier sale—and was after interest payable of £6.4m, against £5.7m.

In the UK, interest charges were higher as a result of increased borrowings at times during the year to finance working capital. This was, however, partially offset by a reduction in overseas charges.

Attributable profits for the year were more than doubled to £172.1m (£82.8m) after tax, £35.7m (£40.8m) — split between UK £19.4m (£14m) and overseas £16.3m (£26.8m) — minorities £6.5m (£22.5m) and extraordinary credits of £87.6m (£0.4m debit).

The extraordinary items comprised the Premier sale profit, and other items amounting to £6.3m, less a provision of £22m made, at the expected future rates of corporation tax, for the estimatd tax deferred by accelerated capital allowances to the extent that it is expected to become payable in the foreseeable future.

Before these items earnings per 5p share were marginally higher at 21.1p, against 20.9p, and the dividend total for the year is effectively lifted from 4.27p to 5p net with a second interim payment of 3.4p. Total net assets amounted to £850.4m (£897.9m).

The directors say there was some improvement in trading results of the UK manufacturing division. Sales increased by 7 per cent to £912m and while there was continued pressure on margins generally, trading profits were nearly 5 per cent up at £40.4m (£38.5m).

All redundancy and reorganisation costs have been charged against trading profits; this year they were 10 per cent higher at £8.8m, the majority relating to the manufacturing divisions.

On a current cost basis, pre-tax profits were reduced to £88m (£99m).

See Lex

HIGHLIGHTS

Lex looks at the intriguing capital structure of Morgan Grenfell which may now be changing and the £45m of cash the bank is raising by a rights issue while the going is good. The column then considers the latest figures from Associated British Foods where profits are down because of the sale of the South African Premier Group foods business. Finally Lex weighs the implications of the deal between Wallenberg and Volvo for the corporate and financial sectors in Sweden. Elsewhere there is news that Sir Gordon Borrie is studying the latest round in the House of Fraser/Lonrho battle.

Martin-Black pulls out of wire rope making

Martin-Black is pulling out of the wire rope manufacturing industry after reporting group losses in six of the last seven years.

The Coatbridge, Lanarkshire, based company whose principal business is the manufacture of high tensile steel wire ropes is to cease its manufacturing operation forthwith and has sold its wire rope stocks to Bridon for a total consideration of £3.7m.

Trading in Martin Black's shares was suspended at the year's low of 22p yesterday. At this level—which compares with a high of 30p—the company is valued at £1.45m. The directors will be writing to shareholders shortly and have suspended the shares pending the issue in the early autumn of a detailed circular which will also contain proposals for the company's future.

The decision to cease wire rope manufacture was taken against a background of a declining market which the directors feel will shrink further in the years ahead. They concluded that the return on any new investment in the industry will be inadequate.

The total consideration under the closure plans will after all charges and severance payments leave group assets estimated at £2.9m—equal to 44p per share.

This latest move by the group represents a further step in a rationalisation plan. In November 1981 the group sold its loss-making Canadian subsidiary for about £1.76m. And in early 1983 the group received a further £611,000 for closing down its loss-making wire drawing subsidiary Speedwell. The amount was payable to the group under the financial assistance provision of the 1972 Industry Act.

The directors say that the difficult position of the wire rope industry was recognised in the appointment by the Department of Trade and Industry of an independent firm of consultants to investigate the possibility of rationalisation within the industry.

The group results for the 15 months ended March 31 1984 announced yesterday show a turnover of £9.99m and a loss, before tax, of £239,000. Rope and wire operations contributed turnover of £9.57m and showed a loss of £367,000. Ryeside Constructional Company, a Scottish constructional engineer acquired last October, contributed £425,000 to turnover and £61,000 to profit. There was also a dividend received from Usha Martin Industries, India, of £67,000 (£63,000). For the year ended December 31, 1982, the turnover attributable to wire and rope operations amounted to £9.76m and there was a loss of £344,000.

The total loss for the period comes through at £308,000 (£348,000) and the loss per share is shown 3.9p (3p). The company has not paid a dividend since a halved payment of 2p in 1978.

The agreements between Martin-Black and Bridon (through it's British Ropes subsidiary) are subject to confirmation that the proposed transaction will not be referred to the Monopolies and Mergers Commission. Bridon showed trading profits up from £12.6m to £16.32m in 1983 of which £9.05m (£5.88m) related to wire rope and associated products.

British Ropes says it will be in a position to maintain supplies of wire rope to Martin-Black customers and the British Ropes directors are confident that significant additional wire rope business will accrue to British Ropes, "substantially improving the throughput, level of capacity working and the profitability of the company's existing plants."

Prince of Wales Hotels over £0.72m year-end

PRE-TAX PROFITS of Merseyside-based Prince of Wales Hotels, which became a subsidiary of Taddale Investments earlier this year, rose from £583,000 to £724,000 in 1983.

In January the directors forecast profits of approximately £700,000.

No final dividend is proposed but first and second interims totalling 3p net have already been paid—last year shareholders received 2.25p.

The directors say that during the coming months the Quality Hotels name will become increasingly familiar and they are confident that this new venture will produce benefits for shareholders, franchisees and employees.

They point out that the programme of improving and developing the group's properties has continued and that in excess of £2m was expended during 1983.

As a result, the properties were revalued and, combined with the retained balance for the year, this gave rise to an increase in group net assets from £8.27m to £13.96m over the year, equal to 116p per share.

Turnover for 1983 totalled £12.29m (£11.63m).

J.S.D. Computer cuts final after second-half losses

CONTRARY to midway predictions that profits would improve in the second half, at JSD Computer Group International, the second six months produced losses of £63,000 against profits of £177,000. For 1983 as a whole pre-tax profits dropped from £392,000 to £40,000.

The directors are hopeful of being able to report more satisfactory results next year. The continuing strength of turnover—up from £4.64m to £5.39m—and their awareness of reasons for difficulties encountered in 1983 mean that the directors think the profit setback should only be temporary.

The final dividend of this USM stock has been cut from 1.5p to 0.1p to give a lower total of 0.7p against 2.1p net. Earnings per 5p share were shown as down from 3.3p to 1p.

The directors say that they took many decisions in the second half to resolve and curb the costs of outstanding issues, especially litigation matters. In the U.S. litigation was terminated due to mounting legal costs.

Expansion plans have been withheld until profits are on a firm base.

Eagle Star sells BAT share stake for £30m

By Ray Maughan

BAT Industries, the tobacco, retail, paper and packaging group, yesterday raised almost £30m before expenses as Eagle Star Holdings, the insurance company BAT acquired for a record £968m at the turn of the year, realised its share holding in its new parent company.

Eagle Star's 13.9m BAT shares were placed yesterday morning at 213½p by stockbrokers de Zoete and Bevan, Cazenove, and W. Greenwell.

The stake was spread widely among City institutions at a light discount to the opening BAT market price of 220p which, by the close, had reacted with a 5p fall.

The disposal had been agreed by both BAT and Eagle Star at the time of the takeover since it had been decided that "it could be restrictive for a subsidiary to own shares in its parent."

Kunick in £1m share placing

Kunick Leisure, the vehicle for the leisure interests of Sir Fred Pontin and Mr Don Robinson which also has company "doctor" Mr Ronnie Aitken on the board, has raised over £1m by a share placing.

Stockbrokers Fiske & Company have placed 7m shares with institutional clients at 15p a share. The terms were pitched a couple of weeks ago when Kunick's shares were changing hands at 20p under rule 163 (2). The price is now 30p, capitalising the company at £9m.

Fiske has come in on this particular share issue. Grieveson Grant, which has a long standing relationship with Kunick and acts as informal company broker, continues to work towards a full listing for Kunick.

As yet the company has an insufficient track record to come to market as a leisure company—before Sir Fred Pontin and Mr Robinson reversed their leisure interests into Kunick it was a small textile operation.

Kunick's listing was cancelled last March at the company's request.

The new money will be used to finance the first phase of the company's proposed Water Theme Park at Scarborough's North Bay Pool and a 15,000 sq ft entertainments complex at York next door to the Jorvik Viking Centre.

The Water Theme Park is due to open the middle of next month. It will include the largest water slides in Europe — 200 yards long.

The leisure centre at York, due to open next year, is expected to house a banqueting suite, a historical pageant and exhibition and a discotheque.

McCarthy & Stone surges midway and set for record

RECORD profits are forecast by McCarthy & Stone, sheltered accommodation builder, after lifting the midway surplus from £1.26m to £3.15m pre-tax for the six months to February 29 1984. Turnover doubled to £9.74m, compared with £4.82m.

For the whole of last year pre-tax profits amounted to £3.68m and turnover was £13.07m.

Excluding the £517,000 profit on the sale of property other than sheltered accommodation, the taxable surplus was 108 per cent higher for the first half.

Last December the directors said that the current year had started well with unit sales for the first quarter totalling 195, against a previous 85, and they looked forward to the future with confidence.

Sales of sheltered property totalled 323 for the six months, compared with 189 for the corresponding period, and against 492 for the 1982-83 year, the directors state.

They point out that while it is evident that some developers, who are less experienced in the market in which the company operates, are paying exceptionally high prices for land, the wider base of regional offices has enabled McCarthy to secure sufficient suitable sites to meet its land targets. The directors add that units are now being marketed in all regions.

The interim dividend is effectively raised from 1p to 1.15p per 20p share, on capital increased by last December's rights issue. Also proposed is a one-for-one scrip issue.

Tax charge was £1.33m (£383,000) and after the interim dividend, £91,000 (£27,000), the retained profits amounted to £1.74m, against £846,000. Dividend waivers on 12.95m shares were £145,899.

McCarthy was granted admission to the Official List, from the USM, last January.

● comment

The building industry must be green with envy at McCarthy's impressive first-half results. The puzzling thing is why the sector has been so slow to jump into what is virtually an unexploited and lucrative market. Even at the bottom end of estimates, demand for private sheltered accommodation for the elderly is put at 400,000 units and growing fast. So, the only constraint to growth in this field is management commitment and the cash to finance building. McCarthy, only a minnow in the building industry, has been beavering away at this market for seven years now — yet there is still no sign of a substantial competitor in the field. The company's own contribution to soaking up the demand is still relatively small but its recent rights issue has helped it aim for 3,000 unit starts this year, well over twice the volume of a year ago. The traditional completion cycle should enable a 50 per cent increase in unit sales this year; given the historical margin of around 29 per cent of sales net of interest, this could mean around £6.6m pre-tax which, after 40 per cent tax, gives a prospective p/e of 24 on the increased capital at 480p, up 10p — a rating which looks more at home in the premium electronics sector.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AB Foods ...... 2nd int.	3.4	Sept 3	2.91*	5	4.27*
Cakebread Robey	2.2	July 18	2.1	3	2.7
Frank G. Gates	3	July 17	2.4*	3	2.4*
Ivory & Sime	2	—	—	2	—
JSD Computer‡	0.1	July 13	1.5	0.7	2.1
McCarthy & Stone †int.	1.15	July 27	1*	—	3.5*
Monks Investment	1.3	Aug 1	1.3	4	4
P of W Hotels	Nil	—	1.5	3	2.25
Radio City‡ .... int.	1.8	July 12	1.8	—	5.6

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

COMPANY NEWS IN BRIEF

Taxable profits at Frank G. Gates, main Ford dealer, increased from £1.07m to £1.2m in calendar 1983. The company is to pay a dividend of 3p, against 2.4p adjusted to allow for a one-for-four scrip issue.

The result was achieved on a turnover up from £36.93m to £42.71m. Tax took a larger slice, at £526,000 against £493,000, and there was an extraordinary credit of £29,000 (nil). Earnings per 25p share were 7.9p, against 6.9p.

* * *

An increase in pre-tax profits from £619,000 to £712,000 has been shown by Cakebread Robey and Co. for 1983. Turnover of this builder and timber merchant, which is a close company, moved up from £12.09m to £13.67m.

The net final dividend has been lifted from 2.1p to 2.2p which gives a higher total of 3p (2.7p). Earnings per 10p share rose from 6.3p to 7.7p.

Tax amounted to £252,000 (£241,000) and extraordinary debits this time took £116,000.

* * *

Acceptances of the Whatlings rights offer have been received in respect of 1,015,678 ordinary shares, or 88.87 per cent. The balance of 127,179 shares have been sold in the market at a premium of 18.17p per share after deduction of expenses.

* * *

In line with hopes expressed last October at Bonusbond Holdings, pre-tax results have returned to profits of £180,000 for 1983, compared with losses of £93,000. Turnover of this redeemer of incentive bonds moved ahead from £7.35m to £8.43m.

There is again no dividend for the year—the last payment was 3.5p net for 1981. Basic earnings per £1 share are shown as 6.88p (3.04p loss) and fully diluted as 4.67p (2.13p).

There was a credit for tax of £54,000 (debit £13,000) after which extraordinary debits came to £395,000 against £4.4m previously. The debit this time is for a deferred tax provision for leasing business made necessary by changes in the Budget.

* * *

Fibre optics company, York Technology, has raised £1.25m by a private placing of ordinary and preference shares. The proceeds will be used for increase production and for further r and d.

Subscribers for the placings were Lazard Brothers (which handled the issue) and clients of Baring Brothers, Hambrecht & Quist Inc of San Francisco and Morgan Grenfell.

Lord Barnett, former Chief Secretary to the Treasury, and Mr E. Dawnay of Lazard Brothers have been appointed to the board as non-executive directors.

* * *

The directors of Monks Investment Trust say that liquid balances have recently shown some increase, with sales being made particularly in Japan. It is the trust's intention to remain fairly fully invested in equities.

For the year ended April 30 1984 gross investment income rose from £3.93m to £4.32m with the pre-tax figure coming out at £2.61m against £2.83m. Tax amounts to £947,000 (£1.11m) and earnings per share are stated at 2.15p (2.24p).

Net asset value after deducting prior charges at par stood at 184.8p compared with 142.7p.

The dividend is unchanged at 4p net per 25p share, with a final of 1.3p.

The policy of increasing currency exposure of the funds to the yen and reducing exposure to the dollar has been maintained.

* * *

The total dividend at Third Mile Investment has been almost doubled from 0.875p net to 1.7p with a final up from 0.875p to 1p. Earnings per 25p share for 1983 were 4.6p against losses of 1.9p.

The company swung back into profit with pre-tax figures of £126,000 against losses of £17,000. Turnover was lower at £1m compared with £1.41m. There were trading profits of £146,000 against £37,000.

Tax for the year was down from £24,000 to £14,000.

* * *

The review of Creech Group's operations has been completed and, in the light of current and continuing losses in the construction company the board has "regretfully" taken the necessary steps to place the group's wholly owned subsidiary, Creech Construction, into liquidation. This action has been taken in order that the remainder of the group can continue to trade normally.

The preliminary statement for the financial year to March 31 will be sent to shareholders as soon as practicable and it is hoped that this will be by the beginning of July.

MINING NEWS BIDS AND DEALS

Zinc price rise lifts Hudbay

BY GEORGE MILLING-STANLEY

RISING ZINC prices and higher sales volume combined to offset the comparatively poor performances by copper, gold and silver prices in the first three months of this year to give Hudson Bay Mining and Smelting of Canada a net profit for the period.

The latest net profit totalled C$143,000 (£80,000), and compares with a loss in the opening quarter of 1983 of C$3.5m. Hudbay said that the industrial division, particularly zinc diecastings, contributed "significantly" to the improved results.

However, the company does not expect prices for its other principal products to show much improvement in the remainder of the year, so that productivity will be of the utmost importance.

Hudbay is wholly-owned by Inspiration Resources of the U.S., which early last year became the principal operating subsidiary of Minerals and Resources Corporation, the main international investment vehicle of South Africa's Anglo American Corporation/De Beers group.

Meanwhile, the big base metal producer Brunswick Mining and Smelting saw net profits for the first quarter jump to C$11.1m, compared with C$900,000 in the comparable period of last year. Noranda Mines owns 64 per cent of Brunswick.

Mr John A. Hall, president, said that the main reasons for the highest quarterly earnings for almost four years were improvements in the tonnage of lead-zinc-silver ore mined, higher ore grades, better prices for zinc and a more favourable exchange rate with the U.S. dollar.

In sharp contrast, Sigma Mines (Quebec), part of the Dome Mines group of gold producers, has halved its quarterly dividend from 12 cents a share to 6 cents after a fall in earnings for the first quarter.

Lower bullion revenue, higher operating costs and the expanded exploration programme were largely responsible for the fall in profits for the first three months of the year to C$942,000, compared with C$5.07m a year ago.

In addition, profits for the first quarter of 1983 were boosted by a non-recurring gain of C$1.8m on the sale of the Dome group's investment in Denison Mines.

Bullion revenue fell to C$7.36m on production of 15,248 ounces, against C$10.35m on 18,444 ounces last year. Revenue was C$482m, down from C$561m in the first quarter of 1983.

Minister may rule against Lonrho's move on Fraser

BY JOHN MOORE, CITY CORRESPONDENT

SIR GORDON BORRIE, director general of the Office of Fair Trading, was yesterday preparing to submit recommendations to Mr Norman Tebbit, Secretary of State for Trade and Industry, on Lonrho's plans to pack the House of Fraser board with directors which represent Lonrho's interests.

The Fair Trading office is expected to advise that Lonrho's attempts to gain the election of six of its own directors and six outsiders to the Fraser board is in breach of the spirit of the conclusions of a Monopolies and Mergers Commission report published at the end of 1981.

The Monopolies and Mergers Commission ruled that it would be against the public interest if Lonrho were to take over House of Fraser.

The advice from the Fair Trading office is expected to be passed over to the Secretary of State after Sir Gordon has studied a report prepared by the office's mergers secretariat and lawyers.

Professor Roland Smith, chairman of House of Fraser, said yesterday: "I would hope that the Office of Fair Trading see this for what it is — a takeover by control of the board. It is a break in the spirit and the letter of the undertakings which Lonrho gave to the Department of Trade."

Lonrho had claimed last week that it had received indications from the Office of Fair Trading that it would not be in breach of undertakings which it had given to the Trade Department. In the undertakings given following the Monopolies and Mergers Commission report Lonrho had said that it would not increase its shareholding above 30 per cent (it holds 29.99 per cent) and would not do anything which could result in Lonrho and House of Fraser becoming interconnected bodies.

Sir Gordon Borrie said yesterday: "There may have been an impression given that Lonrho would not have been in breach of its undertakings. I think the matter must be taken in context. The undertakings must be discussed in relation to the source of the undertakings — namely, the Monopolies and Mergers Commission report of 1981."

He said that the undertakings were designed to prevent the situation that the Monopolies and Mergers Commission were also anxious to stop — namely the takeover by Lonrho of Fraser. "The public interest reasons were broader than acquiring control of Fraser through the technique of buying shares. I am considering the broader issue of control."

If the Trade Secretary were to intervene to stop Lonrho in its attempts it could require an order under the Fair Trading legislation to be made. The review of the Lonrho plans is being rushed through so that should the Minister need to make an order blocking the Lonrho attempts he will have sufficient time to do so before Fraser's annual general meeting on June 28 when Lonrho plans to seek the election of its nominated candidates.

Marinduque to resume production of nickel

BETTER NEWS for the financially-troubled Marinduque Mining and Industrial of the Philippines comes in the form of an announcement from Mr Alfredo Velayo, the company's president, to the effect that operations at the nickel refinery will be resumed on June 10.

Marinduque suspended production at the refinery last December because of a shortage of funds, and the resumption of operations has been held up by a delay in delivery of imported spare parts.

Mr Velayo said he expects the parts and additional stocks of coal to be in place by June 10, with a total of 75,000 tonnes of imported coal arriving this month.

Marinduque, one of the world's largest nickel producers, hopes to produce 2,000 tonnes of nickel briquettes a month once operations have re-started. The company's cash problems have been eased by the negotiation of a US$10m loan last month.

Mr Velayo also said that Marinduque has signed a loan agreement for the equivalent of US$8.8m with Marubeni Corporation of Japan, which will be used towards reopening the company's copper facility.

Marinduque is still negotiating a loan of Pesos 98m (£4.9m) for the copper project with Philippine Associated Smelting and Refining (Pasar). Marubeni and Pasar are the chief buyers of Marinduque's copper production, which reached 104,381 tonnes last year.

Another big mining group in the Philippines suffered a sharp reversal of fortunes in the first quarter of this year, in line with the lower copper price. Atlas Consolidated Mining and Development lost a net Pesos 145.7m in the period, which compares with profits of Pesos 52m in the first quarter of 1983 and Pesos 1.1m in the final quarter.

Mr Harry A. Toelle, president, said that the copper price averaged only 65.31 U.S. cents a pound over the three months, well below the company's break-even level.

On a brighter note, Mr Toele reported that the company's mines had achieved their production targets for the first quarter.

IN BRIEF

Net profits of South Africa's Trans-Natal Coal Corporation in the Gencor group slipped to R9.05m (£5m) in the first three months of this year, compared with R9.97m in the final quarter of last year and R9.8m in the opening three months of 1983.

Figures for previous periods have been adjusted to reflect two changes, firstly the increase in the tax rate to 50 per cent and secondly the dissolution of the joint marketing arrangements with the company's partners in the Ermelo Mines joint venture.

Human food move by Pauls & Whites

Pauls & Whites, the animal feeds, malt and essences and fragrances group, yesterday started a major diversification drive when it agreed to pay £6.5m for Telford Foods, a privately owned supplier of "own label" packet dry foods to the leading retail chains.

J. Sainsbury, with which Pauls jointly owns the Breckland Farms pig fattening venture, is a major customer.

Consideration comprises £5,000 in cash and the issue of 2.77m Pauls' shares of which 2.735m have ben placed by Cazenove on behalf of vendors.

Telford, which produces a range of muesli breakfast cereals, packet soups and sauce mixes, produced net trading profits of £503,000 in the year to March 31. Net worth at the financial year-end amounted to £1m.

The new shares will rank for the final dividend in respect of Pauls' own financial year-end, which also closed on March 31. The group estimates that it will make a final distribution of 6p per share which will lift the total payment from 8p to 8.5p per share.

While there is some synergy with Pauls' existing essences and fragrances operations, which contributed £11.3m of sales to the 1982-83 total of £305m, the Telford acquisition was described by Mr John Young, the finance director, as a "new and exciting development into human foods."

Pauls is estimating pre-tax profits of £11.25m in the year to March against £11.64m in the previous 12 months.

De Vere talks cease as chairman refuses terms

BY ALEXANDER NICOLL

De Vere Hotels and Restaurants said yesterday it had terminated talks on potential bids for the company because its chairman, Mr Leopold Muller, had declined to sell his 51 per cent stake on the terms offered.

Mr Leslie Jackson, De Vere's managing director, said more than one possible bid had been under consideration and that they had been worth 315p per share in cash with a share alternative of higher value.

It was understood that from the several approaches disclosed by De Vere last month two were singled out for serious talks. The two potential bidders, whose separate offers were substantially the same, were provided with confidential information on De Vere.

But Mr Muller, 81, was unwilling to give irrevocable undertakings on his majority holding.

In April, De Vere had said price indications given by parties who had made approaches were below the company's market price, which reached 328p on the day it made the disclosure.

Yesterday, De Vere's share price fell 5p to 300p, valuing the company at £41.7m. Mr Jackson said the company's trading position justified the level of its share price.

The failure of the talks marked the second occasion on which a possible sale of the company had fallen through. Last December, Mr Muller agreed to a bid equivalent to 283p per share from Selfpost, a privately-held company. The bid, which would have been followed by an offer to other shareholders, falied because Selfpost failed to provide adequate financial assurances.

De Vere owns 14 major provincial hotels and London's Connaught Rooms, Mirabelle Club and two Overtons fish restaurants. In 1983, pre-tax profit rose to £1.83m (£1m) on turnover of £21.88m, against £20.05m.

Hadland shares soar 68p

THE SHARE price of Hadland Holdings, a camera and graphic arts equipment group, rose sharply yesterday after the company disclosed that it had received an approach which may result in an offer for all of its share capital.

The company advised shareholders to take no action on their holdings. The share price, quoted on the Unlisted Securities Market, rose 68p to 180p, valuing the company at £7.2m. Its directors hold a combined majority stake.

Hadland, based in Hemel Hempstead, Hertfordshire, makes high technology electron optical cameras as well as graphic arts systems for the printing industry.

In the year ended October 31 1983, it had pre-tax profits of £290,968 compared with £518 in the previous year, on turnover of £5.53m against £4.32m.

BIDS AND DEALS IN BRIEF

Brengreen, a contract cleaning and refuse collection company, said yesterday it had acquired a 75 per cent stake in a Singapore cleaning company, Ender Cleaning Services, for £125,000. Ender, bought from Ender Beheer of the Netherlands, has an annual turnover of £1.6m and has contracts including the cleaning of Singapore's airport.

Brengreen also said that an associate, Saudi National Cleaning and Maintenance, won contracts worth £14m over three years to clean six Saudi hospitals and six clinics.

* * *

The Stock Exchange listing of W. M. Mowat has been cancelled as from 9.30 am on May 21 at the company's own request. An application to make specific bargains under rule 163 (2) may be submitted.

* * *

The Rohan Group has entered into a joint venture agreement with Northern Pines of the U.S. on three developments in California and Colorado which, when completed, will have a value in excess of $20m (£14.4m). Northern Pines acquired a 16.7 per cent stake in Rohan for I£3.75m last December and said at that time that it intended to undertake joint ventures in property development with Rohan in the U.S. under which it would provide risk capital of between $5m and $10m for projects submitted by Rohan.

* * *

Costain Group has purchased, through its wholly owned U.S. subsidiary Costain Holdings, 50 per cent of Pyro Energy Corporation's surface coal mining operations in Alabama for $18m (£12.9m).

* * *

The Associated Dairies Group has acquired the Lakeland Creameries. The consideration was satisfied by a cash payment of £116,800, the issue of loan notes to the value of £330,000 and the allotment of 1.7m ordinary shares credited as fully paid in Associated Dairies. The share price for the purpose of this transaction was 173p per share.

The assets acquired are an operating creamery situated in Cumbria, and a distribution unit at Lancaster. The total fixed asset value is £2.25m. Lakeland has been acquired to expand the company's existing fresh food manufacturing potential in the North of England.

* * *

Linread loan stockholders have approved the extraordinary resolution ratifying the disposal of Linread Fabco and Linread (Deutschland), the proposed property transactions in Canada and the UK and determined that the disposals, together with an earlier disposal of Linfast Fastener Centres, will not henceforth be taken into account for the purpose of sub clause 8 (a) of the trust deed.

* * *

Rea Holdings has acquired all the outstanding £477,400 nominal of floating rate secured loan notes 1999 and floating rate secured postponable loan notes 1983-85 of Jazerite Holdings, a wholly owned subsidiary, in consideration of the issue of £453,997 nominal of additional 13½ per cent unsecured loan stock 1987-90 and 17,720 Rea shares.

* * *

On May 17, 250,000 ordinary shares in Bensons Crisps were sold in which W. W. Jones held a beneficial interest and 102,000 shares held by trusts in which he had no beneficial interest. Mr Jones is a director of Bensons Crisps.

Following the sales, Mr Jones' beneficial holding is 1.51m shares (33 per cent), and his non-beneficial interest is 204,000 (4.25 per cent).

Companies and Markets

UK COMPANY NEWS

Espley down to £1.78m and cancels planned final

PROFITS BEFORE tax at Espley Trust, the property investment, development, construction and housebuilding group formerly known as Espley-Tyas Property Group, declined to £1.78m in the 15 month period to December 31 1983, against £2.77m for the year to end September 1982.

The result was struck on turnover, up from £50.81m to £89.61m, and consists of a £3.08m (£2.11m) profit on ordinary activities being retained, less a loss of £1.3m (profit £652,000) on activities being sold.

In the course of the year the company disposed of the major portion of its UK property investment portfolio. The directors state that negotiations are in an advanced state for the disposal of UK property development interests where the company would, however, participate in the profits and at the same time retain the construction work derived from the implementation of these projects.

Contrary to interim expectations last November, the directors have decided not to recommend the anticipated 1.375p final dividend. They state that significant tax changes in the 1984 Budget, together with the increasing relative importance of the company's overseas earnings, has caused them to reconsider their dividend policy. The recoverability of advance corporation tax paid on dividends will become a more significant element of corporate planning. In the course of the 15 months there were two interims totalling 4.85p.

Excluded from the results, because it will be a reserve movement only, is a substantial revaluation of the company's investment in American Property Group, in which Espley has a 44 per cent interest. This is to reflect the value of the U.S. group's net assets, amounting to over £4m at the time of acquisition last June. With other minor reserve movement, the total increase in reserves for the period will be of the order of £3.5m.

Tax absorbed £916,000 against £581,000, while minority interests took £357,000 last time to leave profit attributable at £866,000 (£1.83m).

There was an extraordinary debit of £474,000 against £837,000 restated by the inclusion of additional losses of £599,000 arising from the write-offs of the company's investment in an overseas partnership. Earnings per share were down sharply from 15.05p to 3.59p per 25p ordinary share.

There are plans to issue shares to the public in two of the group's overseas companies, the Belgian wholly-owned subsidiary Codic SA and the American Property Group. The directors consider that when their plans are completed the true capital value of their investments will be enhanced.

The proposed public offering of American Property was earlier postponed until this year in order to capitalise on the then success of the sales programme in Atlantic City, New Jersey, which considerably exceeded its initial budget. Codic SA, one of the largest developers in Belgium, was acquired in 1982 as the main instrument of the group's European expansion.

● comment

The arresting feature of yesterday's announcement is that Mr Ron Shuck, speculative property developer, seems to have lost faith in speculative property development. In a series of typically convoluted deals, the property assets of the renamed Espley Trust are being sold off and the group is to convert itself into a mini-Hanson or BTR. The UK construction and housebuilding division—which contributed around £64m turnover to these figures—is to form the core of a diversified holding company. There are plans to merge with Associated Telecommunications, and the possibility of a full bid for engineers West's Group is still being actively considered. Thereafter, the cash released by the property disposal programme is to be devoted to acquisition, the criterion being companies which offer scope for reorganisation or what is tactfully termed "disposal of surplus assets." The general impression is that of a lump of money looking for something to do with itself—a concept which has occasionally been successful in the past, and more often not. The shares fell 24p on the announcement, to 66p.

Radio City declines but holds interim

Pre-tax profits of Radio City (Sound of Merseyside) declined from £285,000 to £233,000 for the half year ended March 31 1984 but the independent local radio station company is holding its net interim dividend at 1.8p per ordinary and A ordinary share.

The interim report reveals that the results represent a period very similar to last year except for a reduction in demand for air time in two of the six months.

The Beatle City exhibition, a wholly-owned subsidiary, opened last month after the half year end and the results for the opening period do not include any revenue or expenditure connected with the exhibiton centre—the group's shares are traded on the USM.

First half turnover improved to £1.71m (£1.69m). Tax took £114,000 (£139,000) and earnings emerged at 4.5p (5.62p).

Ivory & Sime profit up 90% and payout boosted

IN ITS FIRST full year as a listed company Ivory and Sime, the Scottish fund management group, has reported a 90 per cent increase in taxable profit, up from £927,000 to £1.76m. for the 12 months to April 30 1984.

The directors are recommending an ordinary dividend of 2p, an eightfold increase over the dividend forecast in the prospectus at the time of last September's listing.

They state that the company, even after significant expenditure particularly on computer facilities, and a reduction in debt, has been left with a large uncommitted cash flow, and have taken the view that a large proportion of this should be distributed to shareholders.

The figures were achieved on turnover which increased from £4.04m to £4.85m, producing an improved operating profit of £2.09m, against £1.42m. Ivory and Sime (Oil and Gas, a Delaware-based subsidiary, contributed £9,000 (nil).

Interest payable amounted to £88,000, down from £239,000, and amortisation of goodwill took an unchanged £250,000. The tax charge was up from £533,000 to £941,000. An extraordinary credit of £155,000 (nil) comprised a capital receipt of £244,000 for undertaking to lease office premises less the expenses incurred in obtaining the public quotation amounting to £89,000.

Earnings per share calculated before amortisation of goodwill and the extraordinary item were 4.2p (2.51p)and calculated after the amortisation but before the extraordinary item were 3.18p (1.49p).

The directors state that prospects for the current year depend largely on new business and stockmarket levels, "neither of which is predictable." Of particular importance will be the trends in U.S. stockmarkets where a substantial proportion of the funds under management are invested.

BIDS AND DEALS IN BRIEF

Sime Darby's associate company, Pernas Sime Darby Holdings, has reached an understanding with Dunlop Malaysian Inds, Dunlop LD and IT International, as follows:—

PSDH is to acquire DMIB's entire shareholding of 8.598m shares (30.7 per cent) in it for a consideration of M$9.03m (£2.8m) (or M$1.05 per share) subject to the necessary approval from relevant Government authorities.

With this acquisition, IT International will become a wholly owned subsidiary of PSDH.

The company has also agreed the orderly termination of technical aid agreement between IT International and Dunlop, the orderly termination of management agreement between DMIB and IT International, and the discontinuance of all existing court actions and appeal between the parties.

The understanding is, subject to the approvals of the respective boards of the companies concerned.

* * *

Arthur Guinness and Sons has purchased 300,000 ordinary shares in **Martin the Newsagent**, representing 2.3 per cent, and has lifted its stake in Martin to 24.6 per cent.

Guinness holds 1.08m (8.1 per cent) and has received irrevocable undertakings in respect of 2.18m (16.5 per cent).

* * *

John Brown has sold the saws division of Firth Brown Tools to **Spear and Jackson International** for some £400,000. The debtors and creditors of the business have been retained by John Brown.

The company also announced the closure of its drills business in Sheffield.

The remaining activities of Firth Brown Tools, in the areas of hard metals and shear blades, continue to trade profitably, the directors state.

* * *

As part of an internal reorganisation of the **Seagram Group**, shares of Seagram Distilers' owned by Seagram Investments, Texas Pacific Oil (UK) and Joseph E. Seagram and Sons, were acquired on May 14 by Seagram Holdings.

More than 99 per cent of the shares of Seagram Holdings are owned within the Seagram Group, and the shares acquired represent more than 86 per cent of the total issued of Seagram Distillers.

* * *

S. G. Warburg and Co, as an associate of **Mercantile House Holdings**, bought on behalf of discretionary investment clients, 100,000 Jessel, Toynbee and Gillett ordinary shares at 99p, and 300,000 at 98½p.

* * *

A subsidiary of **Chubb and Sons**, Chubb Fire Security, has purchased **Firekil International** from J. & W. Ward and Sons.

Firekil specialises in fixed sprinklers and water hydrant installations. Its latest major installation was for the recently completed Thames Barrier.

Firekil will cease to have any further connection with Ward, but will continue to operate from existing premises. No staff redundancies are envisaged and the group will continue to trade under its present name.

* * *

Williams Holdings has acquired two Blackwood Hodge subsidiaries, Aircraft Engineering Components and Scotts Commercial Vehicles, together with three associated properties. A consideration of £385,000 cash has been paid although this figure will be adjusted when the net final assets as at March 31, 1984 have been finally established.

Brooke Tool advances £0:23m and expects to resume dividends

THE STEPS taken by **Brooke Tool Engineering (Holdings)** to improve efficiency enabled the group to take full advantage of an improved trading climate during the half year ended March 31 1984.

On the back of a £0.73m rise in turnover to £4.95m pre-tax profits for the period advanced from £191,800 to £419,000 and the directors say they expect to resume dividends at the year-end—the last payment was 0.75p on the 25p shares in 1981.

In their interim report they reveal that the group's cutting tool activities are trading at increasing levels in an improving world market.

They say, however, that the dispute in the coal mining industry, which is a major customer of two of Brooke's subsidiaries, had an adverse effect on the first half profits and warn that this will inevitably cause a "significant reduction" in the second half result.

All possible steps have been taken to mitigate this problem and it is considered that the dispute will not have any overall effect on the group's medium and long term future, and the directors have "every confidence" in its future.

Pre-tax profits for the opening half were struck after deducting £0.34m (£0.28m) distribution costs, £0.5m (£0.45m) administration expenses and adding in a £1,400 (deducting £6,700) share of profits of related companies. Interest charges accounted for £0.1m (£0.14m).

Tax for the half year £55,000 (added £5,100) and after minorities of £500 (£2,100) and extraordinary items last time of £382,000 available profits emerged at £363,500, compared with a deficit of £183,000.

Earnings, before the exercise of conversion rights, totalled 2.8p (1.8p). Fully diluted, after conversion, they amounted to 1.5p.

At the AGM in March, Mr J. F. Vernon, the chairman, said Brooke Tool was now a small, but strong, group with four main subsidiaries.

He told shareholders that he believed it was soundly based with good prospects for the future. The group made a good start to the present year and profits for the first four months to January were well ahead of the previous year and order books were healthy.

For the 1982-83 year profits before tax amounted to £523,800.

BOARD MEETINGS

TODAY

Interims:—Archimedes Investment Trust, John Carr (Doncaster), ICL, Kelsey Industries, Management Agency and Music, Moran Tea, Northern American Trust, Owen and Robinson, Ranks Hovis McDougall, Scottish National Trust, Stakis.

Finals:—Banlox, British and American Film, Diploma, Walter Duncan and Goodricks, Fidelity, Parkland Textile, J. Sainsbury, TR Property Investment Trust, Tranwood, Whitbread.

FUTURE DATES

Interims:—

Carr's Milling Industries	June 6
Elson and Robbins	June 8
English China Clays	June 14
Leeds	May 30
Marler Estates	May 24
Northern Foods	†June 20

Finals:—

Central and Sheerwood	†June 12
Charter Consolidated	June 27
Coalite	May 30
FKI Electricals	May 29
Fine Art Developments	May 24
London Pavilion	†June 13
Minster Assets	May 24
Pauls and Whites	June 14
Reed International	June 5
Samuel (H.)	May 24
Sterling Guarantee Trust	May 24

† Amended

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hill Samuel ††§	9½%
Allied Irish Bank	9½%	C. Hoare & Co. †	9 %
Amro Bank	9 %	Hongkong & Shanghai	9 %
Henry Ansbacher	9½%	Kingsnorth Trust Ltd	10 %
Armco Trust Ltd.	9½%	Knowsley & Co. Ltd.	9½%
Associates Cap. Corp.	9 %	Lloyds Bank	9 %
Banco de Bilbao	9½%	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10½%
BCCI	9½%	Meghraj and Sons Ltd.	9½%
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9 %
Bank of India	9½%	National Bk. of Kuwait	9 %
Bank of Scotland	9½%	National Girobank	9 %
Banque Belge Ltd.	9½%	National Westminster	9 %
Barclays Bank	9½%	Norwich Gen. Tst.	9½%
Beneficial Trust Ltd.	10 %	People's Tst. & Sv. Ltd.	9½%
Bremar Holdings Ltd.	9 %	R. Raphael & Sons	9 %
Brit. Bank of Mid. East	9 %	P. S. Refson & Co.	9½%
■ Brown Shipley	9½%	Roxburghe Guarantee	9½%
CL Bank Nederland	9 %	Royal Trust Co. Canada	9½%
Canada Permn't Trust	9 %	■ J Henry Schroder Wagg	9 %
Castle Court Trust Ltd.	9½%	Standard Chartered ‖	9½%
Cayzer Ltd.	9½%	Trade Dev. Bank	9½%
Cedar Holdings	9 %	TCB	9 %
■ Charterhouse Japhet	9½%	Trustee Savings Bank	9 %
Choulartons	10½%	United Bank of Kuwait	9 %
Citibank NA	9½%	United Mizrahi Bank	9 %
Citibank Savings ¶	9½%	Volkskas Limited	9½%
Clydesdale Bank	9½%	Westpac Banking Corp	9 %
C. E. Coates	10½%	Whiteaway Laidlaw	9½%
Comm. Bk. N. East	9½%	Williams & Glyn's	9½%
Consolidated Credits	9½%	Wintrust Secs. Ltd	9½%
Co-operative Bank *	9 %	Yorkshire Bank	9 %
The Cyprus Popular Bk	9½%		
Dunbar & Co. Ltd.	9½%		
Duncan Lawrie	9½%		
E. T. Trust	9½%		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd	9½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9½%		
Heritable & Gen Trust	9½%		

■ Member of the Accepting Houses Committee.

* 7-day deposits 5.75%. 1-month 6.50%. Fixed rate 12 months £2,500 8.5% £10,000. 12 months 9%.

† 7-day deposits on sums of under £10,000 6%. £10,000 up to £50,000 6¾%. £50,000 and over 7¼%.

‡ Call deposits £1,000 and over 5¾%.

‖ 21-day deposits over £1,000 7%.

§ Demand deposits 5¾%. ¶ Mortgage base rate.

†† As from close of business, Friday, May 11, 1984.

FINANCIAL TIMES

Tuesday May 22 1984

Rally emerges in Eurodollar bonds, Page 42

WALL STREET

Attention still centred on Chicago

THE UNFOLDING of the $7.5bn aid package for Continental Illinois kept Wall Street busy yesterday, with the injection into the markets of the federal cash involved being reflected in a further easing in short-term interest rates, writes *Terry Byland in New York.*

Leading stocks meanwhile held below last week's closing levels for much of the day, but turnover was moderate and there was little attempt to sell. The revision of GNP statistics for the first quarter to show economic growth at an 8.8 per cent annual rate buoyed confidence in the equity market. Also helpful was an upgrading of debt issues of the big three Detroit motor manufacturers.

The Dow Jones industrial average closed 8.48 down at 1,125.31.

In the credit markets, the Federal Reserve again acted to drain reserves by overnight matched sales-purchase arrangements when the federal funds rate had fallen to 9 7/16 per cent.

The first two days of this week bring the regular monthly meeting of the Federal Open Market Committee, where the board will review credit policies in the light of the latest developments. Credit market analysts believe that despite the evidence of continued economic growth disclosed in last week's economic data, the Fed will be unwilling to tighten credit policies until the problems of Continental Illinois have died down.

The market view seemed in accord with that expressed in London by Mr Malcolm Baldridge, the U.S. Commerce Secretary.

Rates on bank certificates of deposit eased in response to the action taken to aid Continental, with CDs of the Chicago bank sharing in the general recovery.

In the stock market, Continental Illinois' equity also improved, putting on an early $¼ to $10⅜ in busy trading which

The closing Wall Street report and updated U.S. market monitors were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.

We regret full Wall Street stock price lists were not available for this edition because of a computer failure in New York. A reduced listing appears on Page 34

took it to the top of the market's active list at midsession.

But other banking issues continued to weaken as the market awaited developments on the plans to merge Continental with another bank. First Chicago, which rejected suggestions that it would be the partner, dropped $2 to $21¼. Chase Manhattan fell $1½ to $43½, and Citicorp at $31⅝ lost $¼.

Airline issues gave further ground on the fear that the Middle East flare-up could lead to higher oil prices, which are a major cost factor. Northwest Air dipped $½ to $35 and Delta gave up an early rise to stand unchanged at $30.

Industrial stocks remained on the defensive as investors awaited calmer news from the Middle East, or from domestic credit markets. Some early buying demand melted away as bond prices came off the top.

General Motors, which announced that it is considering a move into the data processing business, edged up $¼ to $62¼. But General Electric remained unchanged at $53½. IBM shed $⅝ to $109 in modest trading.

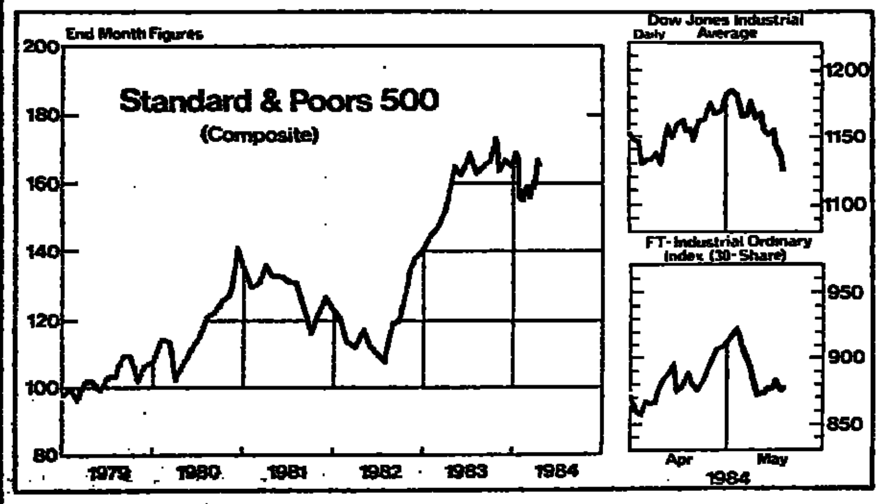
Oil share prices were a shade firmer in response to the developments in the Gulf. Exxon at $42¾ gained $¼. But the chief features of the energy sector remained the takeover situations. Shell Oil traded actively at $58¼, a net loss of $⅛, with the market expecting the bid from the parent company to proceed without problems. Occidental Petroleum dipped $⅜ to $34⅛ on the absence of further bid news.

Weaker spots in the stock market included Upjohn, the pharmaceutical group, down $1⅜ at $66, and Cummins Engine, $1¼ off at $70. There was some further buying of technology issues, with Texas Instruments $1¼ higher at $139 and Digital Equipment $¼ better at $90⅞.

Turnover was again heavy in Walt Disney, which eased $⅞ to $62⅜ as the arbitrageurs who have built up stakes in the film and entertainment group looked for a bid from Reliance Holdings in response to the move by the Disney board to link with the Bass family interests.

The bond market opened with gains of around half a point as the technical recovery was taken a stage further. Support died away at mid-morning, however, and gains were trimmed to a mere 3/32 or so. The new key long bond, the 13¼ per cent of 2014, added 3/32 to 98 15/32. The market was quiet with most of the interest at the short end.

KEY MARKET MONITORS



STOCK MARKET INDICES

	May 21	Previous	Year ago
NEW YORK			
DJ Industrials	1125.31	1133.79	1150.02
DJ Transport	470.47	474.59	539.62
DJ Utilities	125.82	127.31	128.88
S&P Composite	154.73	155.78	162.13
LONDON			
FT Ind Ord	876.2	874.4	692.4
FT-SE 100	1108.7	1104.9	917.7
FT-A All-share	520.86	519.79	422.62
FT-A 500	571.18	569.64	458.99
FT Gold mines	662.4	637.8	636.5
FT-A Long gilt	10.57	10.60	10.66
TOKYO			
Nikkei-Dow	10,164.97	10,126.80	8,561.45
Tokyo SE	798.48	797.83	631.73
AUSTRALIA			
All Ord.	714.7	725.5	608.0
Metals & Mins.	473.1	483.4	543.2
AUSTRIA			
Credit Aktien	54.85	54.79	57.76
BELGIUM			
Belgian SE	155.03	155.32	122.04
CANADA		Previous	Yr ago
Toronto			
Metals & Minls	closed	1941.0	—
Composite	closed	2242.7	2389.2
Montreal			
Portfolio	closed	108.26	—
DENMARK			
Copenhagen SE	189.96	193.06	140.08
FRANCE			
CAC Gen	174.7	176.3	123.8
Ind Tendance	109.0	110.0	75.5
WEST GERMANY			
FAZ-Aktien	347.44	345.62	311.79
Commerzbank	1011.6	1004.8	932.2
HONG KONG			
Hang Seng	893.01	895.73	942.05
ITALY			
Banca Comm	205.96	206.8	192.68
NETHERLANDS			
ANP-CBS Gen	165.5	165.7	123.4
ANP-CBS Ind	132.1	132.5	101.5
NORWAY			
Oslo SE	294.84	289.36	189.81
SINGAPORE			
Straits Times	930.43	946.8	939.13
SOUTH AFRICA			
Golds	1017.1	960.7	945.8
Industrials	1069.2	1068.0	961.6
SPAIN			
Madrid SE	closed	120.64	115.80
SWEDEN			
J S P	1485.91	n/a	1456.23
SWITZERLAND			
Swiss Bank Ind	373.4	377.4	324.8
WORLD	May 18	Prev	Year ago
Capital Int'l	179.6	181.8	177.0

GOLD (per ounce)

	May 21	Prev
London	$379.75	$376.50
Frankfurt	$380.50	$375.50
Zurich	$380.50	$375.75
Paris (fixing)	$379.61	$373.90
Luxembourg (fixing)	$380.30	$375.60
New York (May)	$379.10	$378.30

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	May 21	Previous	May 21	Previous
$	–	–	1.3915	1.387
DM	2.757	2.7735	3.84	3.85
Yen	233.05	233.25	324.5	323.75
FFr	8.475	8.5135	11.79	11.805
SwFr	2.271	2.2795	3.1625	3.165
Guilder	3.102	3.1195	4.32	4.3275
Lira	1699.0	1706.5	2363.75	2366.5
BFr	56.04	56.29	78.0	78.1
C$	1.29425	1.29525	1.801	1.796

INTEREST RATES

	May 21	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9¾
SwFr	3 13/16	4
DM	6	6⅛
FFr	12 11/16	12¾
FT London Interbank fixing (offered rate)		
3-month U.S.$	11⅝	11⅞
6-month U.S.$	12¼	12 7/16
U.S. Fed Funds	9⅝	8½
U.S. 3-month CDs	11.05	11.25
U.S. 3-month T-bills	9.68	9.79

U.S. BONDS

	May 21*		Prev	
Treasury	Price	Yield	Price	Yield
11¾ 1986	98 7/32	12.43	98 7/32	12.43
12⅛ 1991	95 25/32	13.29	95 25/32	13.31
13⅛ 1994	96 1/32	13.41	98 15/32	13.56
13¼ 2014	98 15/32	13.45	98 11/32	13.46
Corporate	May 21*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	87⅞	13.50	87⅞	13.50
3⅞ July 1990	69¾	10.70	69⅝	10.70
8¾ May 2000	66½	14.05	65⅝	14.20
Xerox				
10¼ March 1993	83⅞	13.85	83¼	14.00
Diamond Shamrock				
10¾ May 1993	83¼	13.95	82⅞	14.10
Federated Dept Stores				
10½ May 2013	76	14.05	76	14.05
Abbot Lab				
11.80 Feb 2013	84½	14.00	84½	14.00
Alcoa				
12½ Dec 2012	85¼	14.35	85⅝	14.35

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	62-03	62-21	62-00	62-01
U.S. Treasury Bills (IMM) $1m points of 100%				
June	89.72	89.81	89.70	89.69
Certificates of Deposit (IMM) $1m points of 100%				
June	88.54	88.60	88.46	88.42
LONDON				
Three-month Eurodollar $1m points of 100%				
June	88.44	88.45	88.31	88.18
20-year Notional Gilt £50,000 32nds of 100%				
June	104-06	104-08	103-31	103-27

COMMODITIES

(London)	May 21	Prev
Silver (spot fixing)	657.45p	641.65p
Copper (cash)	£1018.75	£1005.50
Coffee (May)	£2495.00	£2446.00
Oil (spot Arabian light)	$28.40	$28.50

LONDON

Preference is for the sidelines

THE FINANCIAL difficulties of Continental Illinois, which halted a recovery in leading London equities and gilts on Friday, remained a drag on sentiment yesterday.

Hopes that the problems of the U.S. bank might be contained boosted confidence slightly, but the majority of investors were content to remain on the sidelines and to keep a watchful eye on developments in the Gulf and the course of American interest rates. The FT Industrial Ordinary index managed to rise 1.8 to 876.2.

Most blue chips fluctuated within narrow limits with oil shares maintaining a firm trend. British Petroleum gained 8p to 540p, and Britoil was a similar amount ahead at 268p.

Confidence appeared to be lacking in government securities. Quotations at the long end of the market tended to drift back with gains of about ¼ for the day. Rises in shorter-dated issues were limited to ⅛.

Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36-37.

AUSTRALIA

THE DECLINE in Sydney steepened and accelerated as the All Ordinaries index fell 10.7 to a low for this year of 714.7. Golds, drawing benefit from firm bullion values, were the only area to ward off the downward pressure.

The gold miners showed Central Norseman 16 cents stronger at A$6.06,

Canadian markets were closed yesterday for a national holiday.

but elsewhere on the resource side the picture was bleak. BHP fell 25 cents to A$10.35, EZ Industries 16 cents to A$4.90 and Vamgas 5 cents to A$3.15.

Weakness in BHP was attributed partly to its involvement in an exploratory Timor Sea oilwell, results from which were still far from clear. Of the others connected with the project, Ampol Exploration slid 30 cents to A$3.90 and Weeks Australia 18 cents to A$1.40.

HONG KONG

MOVEMENTS were minimal in Hong Kong as trading quietened further and the Hang Seng index, after fluctuating either side of its pre-weekend close, settled 2.72 lower at 893.01.

Falls of 5 cents were common to Cheung Kong and New World Development on the property side at a respective HK$7.95 and HK$2.95, while rises of that amount were managed by Hongkong Land at HK$3 as well as Hongkong Electric at HK$5.25.

SOUTH AFRICA

THE STRENGTH being evidenced in precious metal prices allowed strong gains to Johannesburg golds, but outside this area the dampening influence of peak interest rates prevailed.

Randfontein gained R6 at R189.50 and FS Geduld R1.75 at R52, while among the mining financials Amgold put on a more muted 90 cents to R147.50 and Gold Fields of SA 75 cents to R28.50. De Beers at R9.40 was 5 cents firmer.

Rustenburg Platinum was another strong spot, adding 35 cents to R15.

EUROPE

Frankfurt fights off the setbacks

MOST EUROPEAN centres drifted lower yesterday, with the most prominent exception being West Germany where car makers reversed part of last week's losses generated by industrial unrest.

The **Frankfurt** revival, reflected in a 6.8 point gain in the Commerzbank index to 1,011.6, was widespread with blue-chip motors and some chemicals registering welcome advances.

Daimler surged DM 12.30 forward to DM 576.80, BMW was DM 3.90 stronger at DM 383 and VW managed to rise DM 1.70 at DM 190.70.

Hopes that a new round of talks between employers and the IG Metall union over a 35-hour work week would reach agreement was the source of the rebound in prices.

Broadly higher chemicals saw Schering rise DM 5.50 to DM 343.50, BASF improve DM 2.30 to DM 165.80 and Hoechst gain DM 2.10 to DM 174.80.

Engineering issues edged higher while banks proved sharply mixed, with Deutsche Bank DM 3 up to DM 366.80 ex-dividend and Commerzbank DM 6.50 off at DM 164.

Bonds were little changed as the Bundesbank sold DM 18.3m of public paper after purchases of DM 26.8m on Friday.

Political discontent over the basing of cruise missiles in the Netherlands and Wall Street's previous lacklustre performance cast a shadow over **Amsterdam,** although the ANP-CBS general index lost only 0.2 to 165.5 and the bond market traded slightly firmer.

A weaker dollar moved against internationals with Philips 60 cents off at Fl 47, Unilever Fl 3.50 down at Fl 247 and Akzo 10 cents lower at Fl 98 despite substantially higher first-quarter net profits. Royal Dutch proved the exception with a Fl 1.50 advance to Fl 164.20 on buying interest from the UK and U.S.

Paris drifted lower in dull trading as investors began to square positions in preparation for the new monthly trading account tomorrow. The ennui was reflected in declines outnumbering advances by a margin of two-to-one.

The most stimulating performer was Carrefour, FFr 25 ahead at FFr 1,711, while other food retailers and processors were mainly marginally weaker or unchanged. BSN Gervais was particularly poor with a FFr 50 drop to FFr 2,595.

Matra's FFr 69 decline to FFr 1,401 helped erase most of last week's gain and it is now trading near its low for the year.

The failure to alter non-disclosure regulations of Swiss banks by referendum did not surprise **Zurich** investors and most shares finished slightly lower in moderate trading.

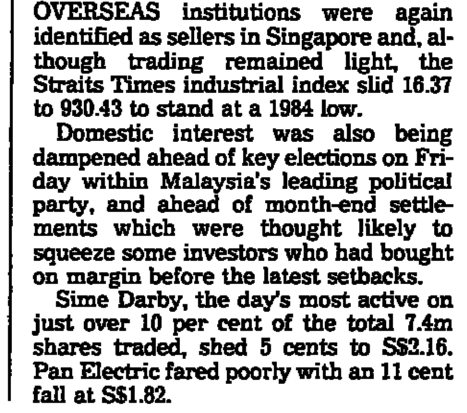
Bank Leu slipped SwFr 125 to SwFr 4,000, Union Bank was unchanged at SwFr 3,625 and Swiss Bank added SwFr 1 to SwFr 361.

Chemicals, financials and oils were lower in sluggish **Brussels** trading, which saw utilities mixed and market leader Petrofina surrender BFr 20 to BFr 8,050.

Major industrial shares turned sharply lower in **Milan** with only a few issues resisting the trend. Fiat lost L105 to L4,140, Montedison slipped L2 to L205, while Olivetti moved L56 stronger to L5,200.

In Oslo, Norsk Hydro's move back into petroleum product retailing saw a NKr 39 rise to NKr 721 with healthy gains also for Norsk Data, up NKr 8 to NKr 321, and Storebrand, NKr 5.50 ahead at NKr 243.

Stockholm began the week mixed in thin trading.



SINGAPORE

OVERSEAS institutions were again identified as sellers in Singapore and, although trading remained light, the Straits Times industrial index slid 16.37 to 930.43 to stand at a 1984 low.

Domestic interest was also being dampened ahead of key elections on Friday within Malaysia's leading political party, and ahead of month-end settlements which were thought likely to squeeze some investors who had bought on margin before the latest setbacks.

Sime Darby, the day's most active on just over 10 per cent of the total 7.4m shares traded, shed 5 cents to S$2.16. Pan Electric fared poorly with an 11 cent fall at S$1.82.

TOKYO

Languid day leaves most lower

A SHORT-LIVED rise in morning Tokyo trading provided the only relief in an extremely languid session, and the market closed lower, *writes Shigeo Nishiwaki of Jiji Press.*

The higher opening mirrored a rally on Saturday, with the Nikkei-Dow market average posting an early gain of more than 35 points. As buying ceased in the middle of the morning session, small-lot selling set in and the 225-issue indicator closed 65.23 lower at 10,164.97.

Losses sharply outnumbered gains 421 to 219, with 158 issues unchanged, on volume of only 186.53m shares. Of the 10 most actives, however, seven showed gains. Volume leader was Marubeni with 12.75m shares changing hands, followed by Aoki Construction on 6.83m.

Marubeni soared Y18 at one stage on rumours of gold prospecting in Alaska, but finished only Y1 up at Y401. Aoki advanced Y14 to Y974, apparently reflecting last week's announcement of gold mining in Brazil.

The Nikkei-Dow had nose-dived 489.97 over two days from last Thursday. After the Tokyo Stock Exchange lowered margin requirements from 60 per cent to 50 per cent, the indicator staged a rally of 103.22 on Saturday to stay above the 10,000 mark.

Buying yesterday concentrated on oils and non-ferrous metals in view of the increasing tension in the Middle East. Teikoku Oil added Y15 to Y745 and Sumitomo Metal Mining Y30 to Y1,850.

Small-lot selling pushed Hitachi, the focus among blue chips, down Y13 to Y830. This increased investors' wariness, and NEC dropped Y10 to Y1,170 and Matsushita Electric Industrial Y30 to Y1,680. High-priced issues also declined, together with machinery, precision instrument and commerce stocks. Kyocera lost Y60 to Y5,530.

Stock prices are expected to remain in an adjustment phase for some time in the absence of a powerful stimulus such as a sharp rally on Wall Street.

Interest rate movements in the U.S. continued to weigh heavily on the bond market and most institutional investors kept away. In extremely slow trading, the yield on the barometer 7.5 per cent government bonds maturing in January 1993 rose from 7.34 per cent on Saturday to 7.36 per cent.

WORLD STOCK MARKETS

Indices

	May 21	May 18	May 17	May 16	1984 High	1984 Low
AUSTRALIA						
All Ord. (1/1/80)	714.7	725.5	733.5	750.5	787.9 (9/1)	718.3 (5/5)
Metal & Mins. (1/1/80)	475.1	465.4	481.8	486.1	567.4 (3/1)	469.4 (15/5)
AUSTRIA						
Credit Aktien (2/1/62)	54.85	54.78	54.62	54.66	56.21 (2/1)	53.30 (9/4)
BELGIUM						
Belgian SE (31/12/63)	155.03	155.52	155.27	155.23	158.25 (7/5)	155.20 (4/1)
DENMARK						
Copenhagen SE (1/1/83)	189.96	(c)	183.08	184.77	225.21 (20/1)	179.15 (20/3)
FRANCE						
CAC General (31/12/82)	174.9	176.3	178.1	177.2	181.7 (3/5)	155.6 (3/1)
Ind Tendance (30/12/83)	109.0	110.0	111.2	111.0	115.0 (3/5)	99.4 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	347.44	345.62	347.49	348.30	370.84 (2/2)	341.1 (12/5)
Commerzbank (1/12/53)	1011.6	1004.6	1012.2	1015.5	1086.5 (2/2)	998.8 (12/3)
HONG KONG						
Hang Seng Bank (31/7/64)	893.01	855.73	933.72	949.32	1170.35 (19/3)	871.06 (3/1)
ITALY						
Banca Comm Ital. (1972)	205.96	206.8	209.96	209.48	229.57 (1/2)	192.06 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	10165.0	10126.8	10340.5	10619.8	11,190.17 (4/5)	9830.47 (14/2)
Tokyo SE New (4/1/68)	798.48	797.83	812.80	851.16	876.62 (2/4)	735.45 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	165.5	165.7	166.5	164.2	178.8 (1/2)	156.4 (25/2)
ANP-CBS Indust (1970)	132.1	132.5	135.0	132.0	147.2 (1/2)	125.7 (24/4)
NORWAY						
Oslo SE (4/1/83)	294.84	289.36	(c)	285.21	296.70 (9/5)	221.67 (4/1)
SINGAPORE						
Straits Times (1966)	930.48	946.8	969.32	976.19	1071.91 (2)	950.45 (21/5)
SOUTH AFRICA						
Gold (1958)	(u)	980.7	989.0	972.8	1059.3 (6/3)	783.1 (24/1)
Industrial (1958)	(u)	1068.0	1070.2	1069.5	1105.3 (26/3)	952.6 (25/1)
SPAIN						
Madrid SE (30/12/83)	(c)	120.64	121.16	121.51	121.51 (18/5)	101.22 (3/1)
SWEDEN						
Jacobson & P. (1/1/58)	1485.91	—	1497.13	1488.46	1594.5 (5/2)	1,401.04 (4/1)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	576.4	577.4	576.0	579.0	398.7 (3/1)	360.0 (12/3)
WORLD						
Capital Intl. (1/1/70)	—	179.6	181.8	183.7	190.6 (3/5)	178.2 (13/2)

** Saturday May 19: Japan Nikkei-Dow 10,230.2: TSE 804.19.

Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Bonusbond	20	+ 3
Boots	177	+ 5
British Aero	333	+16
Brooke Tool	26	+ 5
Channel Tnl Inv.	148	+23
Delyn Pack.	102	+ 8
Extel	645	+47
Hadland	180	+68
H. Cnties. News	125	+10
Leech (Wm)	160	+ 6
Ldn. & M'chster	500	+23
Newmark (L)	205	+20
Pratt (F.)	54	+12
Preedy (Alfred)	131	+11
Reliant Motor	44	+ 6
UKO Int'l	120	+ 7
Wood (Arthur)	65	+10
BP	540	+ 8
Britoil	268	+ 8
Bryson O & G	715	+65
Norsk Hydro	£67	+£½
Southvaal	£46¼	+£2⅛

FALLS

Barratt Dev	108	− 4
Cornell	255	−30
Espley Trust	66	−24
Granada A	194	−10
JSD Computer	28	− 6
Polly Peck	282	− 7
Vosper	262	− 8
Weeks Australia	68	−13

LONDON STOCK EXCHANGE

MARKET REPORT

Markets stage modest rally but investment confidence still lacking—index up 1.8 at 876.2

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 30	May 10	May 11	May 21
May 14	May 31	June 1	June 11
June 4	June 14	June 15	June 25

* "New-time" dealings may take place from 9.30 am two business days earlier.

The financial difficulties of Continental Illinois, which halted the recovery movement in both UK leading shares and Government securities last Friday, remained a drag on London stock market sentiment yesterday.

Hopes that the problems of Continental Illinois may be contained gave a minor fillip to confidence, but the majority of potential investors, mindful of the Gulf war situation and the current uncertainty about the future trend of American interest rates, were content to sit on the sidelines.

Nevertheless, the underlying tone of the market was reasonably steady and a block of 13.9m shares in BAT was placed at around 213p with relative ease. The shares were those held by Eagle Star before it was taken over by BAT.

Most blue chips fluctuated within narrow limits before settling a shade firmer on balance. Lower opening indications from Wall Street failed to dampen late sentiment in London and the FT Industrial Ordinary share index ended 1.8 up on the day at 876.2.

Oil shares, still reflecting worries about a possible disruption to world crude supplies, maintained a firmer trend. Take-over speculation, although not so intense as last week, again provided many of the day's features, while week-end Press mention also met with a ready response.

A slightly better trend developed in Government securities, but there too, confidence appeared to be lacking. Last Friday's rally in U.S. bonds and the easier trend in both American and UK short-term interest rates prompted a modest improvement throughout the list. Investors, however, showed caution and quotations at the long-end of the market tended to drift back to settle with gains of around ¼ on the day. Rises in the shorts were usually limited to ⅛, the £50-paid tap stock, Treasury 9½ per cent Convertible 1989 closing that amount higher at 47¾.

Life Insurances rise

A lacklustre day in Insurances was considerably enlivened after-hours by a sudden demand for Life's issues following reports of an impending broker's circular. Closing gains ranged well into double-figures with London and Manchester outstanding at 500p, up 23. Sun Life advanced 18 to 570p and Refuge put on 11 to 465p. Elsewhere, C. E. Heath added 10 afresh to 430p on further consideration of the preliminary figures.

U.S. banking anxieties continued to subdue the major clearers. Week-end press speculation that Lloyds could be involved in a rescue bid for the Continental Illinois Bank of Chicago left the shares a few pence easier at 560p, while NatWest lacked support at 642p, down 6. Barclays, on the other hand, were bolstered by a Broker's circular and finished 5 to the good at 480p. Reflecting revived speculative support in a thin market, United Leasing jumped 17 to 297p among Hire Purchases.

Stat-Plus, a supplier of stationery to the legal profession, made a quiet debut in the Unlisted Securities Market; placed at 110p, the shares opened at 122p and drifted back to 117p prior to closing at 118p. Last Friday's USM newcomer, Brikat, drew fresh support and gained 15 to 175p compared with the placing price of 140p.

Among Buildings, adverse Press comment prompted fresh selling of Barratt Developments which reacted to a 1984 low of 106p before settling a net 4 down at 108p. On the other hand, newsletter comment stimulated occasional interest in Blue Circle which firmed 5 to 435. Elsewhere, William Leech, in receipt of an unwelcome offer worth 123p per share from C. H. Beazer, gained 6 to a peak of 160p on suggestions of a possible counter-bid from Costain. George Dew firmed 4 to 72p on news that the company had been awarded contracts worth £15m, while McCarthy and Stone rose 10 to 480p in response to the good half-year results and proposed 100 per cent scrip issue. By contrast, the decision to place its Crouch Construction subsidiary into liquidation left Crouch Group 4 down at a 1984 low of 30p. Profit-taking clipped 5 from recently firm Ward Holdings at 147p.

Interest in ICI was at a low ebb and, after shading to 590p early on the share held at that level for the rest of the session. Laporte, the subject of a broker's recommendation last week, drew fresh support and rose 10 to 478p. Anchor Chemical added 4 to 120p awaiting news from the annual meeting.

Preedy remain volatile

Lack of investment incentive made for another featureless session among major Retailers, most of which settled with modest falls. Secondary counters continued to feature tobacconists and newsagents Alfred Preedy which responded to weekend Press comment and touched 143p before closing a net 11 dearer at 131p. Waring and Gillow, subject of persistent takeover speculation of late, eased 5 to 143p on small selling, but a favourable mention lifted Superdrug a few pence to 290p. Arthur Henriques became a nervous market and dipped to 36p before rallying to close only 2 off on balance at 44p awaiting details of the rumoured "shell" operation in the wake of the 30p per share offer from Maxmillian Enterprises.

Buyers showed sporadic interest for Footwear issues. FII firmed 5 to 210p after a newsletter recommendation.

Hadland highlighted the Electrical sector, soaring 65 to 180p on news of a bid approach. Louis Newmark revived with a speculative spurt of a 20 to 205p and ICL hardened a couple of pence to 66p in response to Press comment. JSD Computer, however, fell 6 to 28p following the poor annual results. BSR continued to wilt, falling 8 more to 245p, after 243p, and AirCall gave up 10 to 420p.

Secondary issues provided the major focal points in Engineerings. Press comment highlighting bid possibilities attracted buyers to F. Pratt which advanced steadily to finish 12 higher on the day at 54p. Westland improved 3 to 178p for the same reason. Brooke Tool rose 5 to 26p in response to the better-than-expected annual results. Williams put on 6 to 142p and ML Holdings gained 7 to 270p. A dull market last week on the larger annual deficit, Blackwood Hodge rallied 1½ to 14p. James Neill touched 73p before closing a net 3 better at 70p and Staveley Industries gained 6 to 242p. Vosper, however, fell 8 to 262p after it was announced that its nationalisation compensation claim had been referred to the European Court of Human Rights. Hawker stood out among the quiet leaders with a rise of 11 to 442p.

Foods had a distinctly firm appearance. J. Sainsbury rose 10 to 550p in front of today's annual results, while Rowntree Mackintosh gained 6 to 274p as bid hopes revived. Comment on the group's U.S. gas interests helped S. and W. Berisford rise 6 to 195p. Associated British Foods slipped to 164p on the uninspiring preliminary results before picking up to close without alteration at 166p. Glass Glover rose 10 to 216p on late support, while renewed demand left Needlers 4 dearer at 82p.

Secondary issues provided the noteworthy movements in Hotels. Prince of Wales firmed 4 to 86p in response to the good annual results, while buying in front of today's preliminary figures lifted Stakis 7 to 121p. De Vere slipped 5 to 300p; bid discussions with various parties have been terminated.

Extel jump

Boots provided an isolated firm feature among the Miscellaneous Industrial leaders, rising 5 to 177p, after 181p, in response to the announcement that its Ibuprofen drug had been given clearance for over-the-counter sales in the U.S. Glaxo touched 843p before finishing 5 dearer on balance at 835p but American influences prompted a fall of 4 to 296p in Bowater. Elsewhere, Extel jumped 47 to 645p amid rumours that a large line of shares had changed hands outside of the market late on Friday at a level well above £6 per share; the annual results are scheduled for Thursday. Following widespread weekend Press comment on the Thorn EMI merger negotiations, British Aerospace followed last week's rise of 71 with a fresh improvement of 16 at 333p; Thorn remained unimpressed, closing a further 3 down at the year's low of 557p. Further consideration of the proposed Lazard Brothers deal left S. Pearson up 12 at 590p, while Wedgwood, 147p, and UKO International, 120p, advanced 7 apiece in reply to Press comment. Reports that the "Chunnel" project had won bank support prompted a rise of 23 to 148p in Channel Tunnel. A. Wood reflected revived speculative demand with a fresh gain of 10 at 65p. Polly Peck dropped 7 further to 282p, after 265p, following comment on the Wearwell merger terms; the latter closed unaltered at 142p, after 138p. Meanwhile, Mr Asil Nadir's other quoted concern, Cornell, fell 30 to 255p on disappointment that it did not figure in the rationalisation proposals. Granada "A" lacked support and dropped 10 to 194p.

Reliant Motor, dealt in the Unlisted Securities Market, advanced 6 to 44p following country support. Distributors featured fresh speculative buying of Caffyns, 8 dearer at 130p.

Proceedings in Publishers centred on Home Counties Newspapers which attracted a lively business in the wake of a newsletter "buy" recommendation and advanced to 133p before settling a net 10 dearer at 125p. Elsewhere, Press comment lifted Watmoughs 12 to 230p, and Fitch 8 to 303p, while Delyn attracted late support in front of tomorrow's preliminary results to finish 8 to the good at 102p.

Leading Properties traded quietly and closed with small irregular movements, but secondary issues displayed a weak feature in Espley Trust which plummeted 24 to 66p following the poor 15-month figures and final dividend omission.

Slightly easier conditions prevailed among Tobaccos. Bats closed 5 cheaper at 215p as 13.9m shares, representing Eagle Star's holding in the company, were placed through the market at around 213p per share.

Among Financials, Yule Catto, currently involved in a bid battle for control of paintmakers Donald Macpherson, improved 6 to 221p on news of the proposed sale of its 20 per cent stake in Goal Petroleum. Ivory and Sime rose 5 to 56p following the near-doubled annual profits, while Bonusbond hardened 3 to 20p on the preliminary profits recovery.

BP gain ground

Leading domestic oils were a firm market throughout the day and picked up momentum in after-hours trading on continuing concern over the recent attacks on shipping in the Arabian Gulf.

BP and Shell both advanced to their best levels this year, the latter closing a net 14 higher at 704p and the former 8 to the good at 540p. Britoil were a similar amount firmer at 268p, while Tricentrol edged up 6 to 226p.

Irish issues were highlighted by the continued strength of Bryson Oil, 85 higher at a year's best of 715p, and Eglinton, which rose 20 to 245p.

Elsewhere, International Atlantic Resources jumped 10 to 100p following the first-quarter results, while Norway's Norsk Hydro advanced £5¼ to £67 in response to favourable Press comment. Among "down-under" oils Weeks Australia dropped 13 to 88p

Golds race ahead

A firm performance by the bullion price in the wake of the conflict in the Middle East gave a major boost to the South African sectors of mining markets.

Golds were by far the best performers. A widespread stock shortage, reflecting the recent strong showing by the sector, coupled with persistent buying interest from Johannesburg and the Continent produced substantial gains throughout the list and prompted a 24.6 jump to 662.4 in the Gold Mines index—extending the rise over the past five trading sessions to one of more than 64 points.

Bullion closed a net $3.25 firmer at $379.75 an ounce.

Among the heavyweights rises in excess of £3 were common to Randfontein, £106½ and Vaal Reefs, £90¾, while Southvaal were a particularly strong market and improved £2¾ to £46½. Western Mining moved up £2 to £36¼, Western Deep £1¾ to £44¾ and Buffels £1⅛ to £44⅛.

The marginals provided features in East Rand Proprietary which rose £1½ to £22 and Grootvlei which put on 68 to 995p.

The only depressed sectors in mines were Malaysian Tins and Australians. The latter were unsettled by the weak showing on Wall Street on Friday night and were marked down at the outset. Thereafter modest selling pressure saw prices drift easier with many of the leading diversified issues closing at 1984 lows. Among this group Western Mining and Peko-Wallsend dropped 8 apiece to 225p and 300p respectively while North Broken Hill gave up 10 to 150p and MIM Holdings 6 to 196p. In Golds Central Norseman were a lone firm spot and rose 10 to 383p.

Widespread losses were the order of the day in Tins which reflected the downturn on Kuala Lumpur markets. Gopeng Berhad retreated 30 to 240p and Sungei Besi 15 to 370p while the lower profits and dividend unsettled Tronoh Mines which fell 15 to 355p, after 350p. Malaysian Mining lost 4 at a year's low of 63p.

Subdued trading in London equities was mirrored by Traded Options which attracted 2,922 contracts—well short of last week's daily average of 4,497. Grand Metropolitan calls remained in demand however with 441 struck, 202 in the October 330's. Courtaulds attracted 205 calls with the majority recorded in the July 160's, while British Petroleum attracted 213 calls, 106 in the July 500's, 10 up at 45p. The FTSE 100 index contract recorded 416 calls and 158 puts.

FINANCIAL TIMES STOCK INDICES

	May 21	May 18	May 17	May 16	May 15	May 14	year ago
Government Secs	79.73	79.60	79.95	79.97	79.59	79.63	80.54
Fixed Interest	84.60	84.50	84.74	84.72	84.57	84.60	85.00
Industrial Ord.	876.2	874.4	884.5	879.4	878.0	874.0	692.4
Gold Mines	662.4	637.8	645.4	627.4	612.2	597.6	636.5
Ord. Div. Yield	4.46	4.47	4.42	4.46	4.44	4.46	4.64
Earnings, Yld.% (full)	10.37	10.40	10.29	10.35	10.33	10.37	9.02
P/E Ratio (net) (*)	11.63	11.60	11.72	11.66	11.68	11.61	13.76
Total bargains (Est.)	21,560	21,000	21,893	23,482	24,272	25,097	17,345
Equity turnover £m.	—	388.24	307.05	383.91	237.96	249.35	169.96
Equity bargains	—	18,877	18,505	18,994	18,003	21,054	17,049
Shares traded (mil)	—	201.2	161.1	149.8	145.1	161.4	194.1

10 am 876.0. 11 am 875.8. Noon 876.4. 1 pm 876.0. 2 pm 875.2. 3 pm 875.4.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=11.09.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	81.77 (9/1)	79.60 (18/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	84.57 (15/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (2/5)	770.5 (6/1)	922.8 (2/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	520.8 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	May 18	May 17
—Daily Gilt Edged Bargains	142.6	139.0
Equities Bargains	118.4	119.9
Value	663.4	620.6
5-day Average Gilt Edged Bargains	151.5	165.0
Equities Bargains	132.0	127.2
Value	568.6	581.2

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (54)

BUILDINGS (4)
Breedon Cloud Lime, Leyland Paint, Leech (Wm.), McCarthy & Stone
CHEMICALS (1)
Anchor Chemical
STORES (3)
Ellis & Goldstein, Preedy (Alfred), Goldberg (A.)
ELECTRICALS (4)
Hadland, Phicom, Lorlin Electronics, Western Selection
ENGINEERING (4)
Sanro Inds., Neill (James), Brooke Tool, Pratt (F.)
FOODS (2)
Glass Glover, Needlers
HOTELS (2)
Prince of Wales, Ryan Hotels
INDUSTRIALS (14)
AAM, Pearson (S.), Billam (J.), Renwick, Business Computers, Ropner, Dufay Bitumastic, Sale Tilney, Emray, Technology for Bus., Extel, Vinten, Lond. & Northern, Wood (Arthur)
INSURANCE (1)
Heath (C. E.)
MOTORS (1)
Reliant Motor
NEWSPAPERS (2)
Home Counties, Octopus Publishing
PAPER (4)
Cropper (James), Harrison Cowley, Delyn Packaging, Watmoughs
SOUTH AFRICANS (1)
Tiger Oats
TRUSTS (4)
Derby Trust Cap., Antofagasta, New Darien Oil, Yule Catto
OILS (7)
BP, Norsk Hydro, Bryson Oil & Gas, Shell Transport, Charterhouse Pet., Tricentrol, Goal Petroleum

NEW LOWS (78)

CORPORATION LOANS (1)
COM'WEALTH & AFRICAN LOANS (1)
LOANS (2)
AMERICANS (2)
CANADIANS (4)
BANKS (4)
BUILDINGS (3)
CHEMICALS (1)
ELECTRICALS (6)
ENGINEERING (4)
FOODS (1)
INDUSTRIALS (12)
INSURANCE (1)
LEISURE (1)
MOTORS (1)
PROPERTY (1)
TEXTILES (1)
TRUSTS (3)
OILS (2)
OVERSEAS TRADERS (1)
MINES (15)

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Petranol	20	650	+80
Brikat News	18	160	—
Pearson (S.)	17	578	+18
Hanson Trust	16	233	−5
RHP	15	88	+5
Shell Transport	15	680	−5
Comcap New	14	[illegible]	[illegible]
Brit. Aerospace	12	317	−5
Mercantile Hse.	12	333	[illegible]
RTZ	12	620	−10
Inchcape	11	380	+4
Lyle Shipping	11	40	[illegible]
Northern Eng.	11	88	[illegible]
Powell Duffryn	11	363	−17

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters (or fully-paid). ● Introduction. ⊕ Unlisted Securities Market. ‡ Placing price. †† Official London Listing. [illegible] § Placing price. Official London Listing. ‡ No par value. § Price at suspension.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	78	1	26
Corpns. Dom. and Foreign Bonds	9	7	64
Industrials	219	278	906
Financial and Props.	66	141	316
Oils	27	25	69
Plantations	1	8	11
Mines	64	47	62
Others	40	87	106
Totals	504	594	1,563

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 21	June 8	Aug 30	Sept 10
June 11	June 22	Sept 13	Sept 24
June 25	July 6	Sept 27	Oct 8

For rate indications see end of Share Information Service.

Call options were arranged in First Pacific, Regentcrest, Queens Moat Houses, Metal Box, S. and W. Berisford, UKO, Duple, Tootal, Commercial Union, Barker and Dobson, Lennons, Ramar Textiles, Smith St Aubyn, Lasmo, Asia Oil, GEC, Berkeley and Hay Hill, Barratt Developments, Sterling Guarantee Trust, Premier Oil, British Aerospace, Camford Engineering, Midland Bank, FKI Electricals and Sellincourt. Puts were taken out in Polly Peck and Alfred Preedy, while doubles were transacted in Chamberlain Phipps and Lyle Shipping.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Inds.	215	+5
Boots	177	+5
Brit. Aerospace	333	+16
BP	540	+8
Durban Deep	[illegible]	[illegible]
Espley Trust	66	−24
Extel	645	+47
Hadland	180	+65
Home Counties News	125	+10
Preedy (Alfred)	131	+11
Shell Transport	704	+14
Tricentrol	226	+6

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

PRICE INDICES	Mon May 21	Day's change %	Fri May 18	xd adj. today	xd adj. 1984 to date
British Government 1 5 years	113.70	+0.11	113.57	—	4.95
2 5–15 years	127.46	+0.15	127.27	—	[illegible]
3 Over 15 years	135.92	+0.20	135.65	—	4.82
4 Irredeemables	145.11	+0.34	144.60	—	[illegible]
5 All stocks	126.39	+0.15	126.20	—	4.95
6 Debentures & Loans	105.84	+0.02	105.82	—	4.47
7 Preference	78.49	—	78.49	—	2.84

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$350	12	42	—	—	—	—	$380.80
GOLD C	$375	33	20	5	31 B	—	—	"
GOLD C	$400	143	8	114	18	—	—	"
GOLD C	$425	74	2.80	136	8.40	—	—	"
GOLD P	$375	65	5.20	3	7.50	—	—	"
GOLD P	$400	42	19	—	—	—	—	"
[illegible]								

TOTAL VOLUME IN CONTRACTS 17,014

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

May 21 Total Contracts 2,922. Calls 2,165. Puts 757.

*Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	97¼	Exch. 3pc 1984	99	......	3.03	9.64
101	100	Treas 12pc 1984	100	+	11.89	9.00
105	103	Treas. 15pc 1985	103	+	14.50	9.96
102¼	101¼	Exch. 12pc Cnv. '85	101½	+⅛	11.82	10.00
95⅜	93⅝	Treas 3pc 1985	94	−	3.17	8.81
102⅝	100	Treas 11½pc 1985	101	+¼	11.33	10.45
99¾	97	Treas 8¼pcCnv '85	97	+⅛	8.98	10.53
104	101	Exch. 12¼pc 1985	102xd	+	12.01	10.74
103	101⅛	Exch. 11¾pc '86	101	+	11.58	10.77
102	98	Treas. 10pcCnv 1986	98	+⅛	10.15	10.83
90¼	88¼	Treas 3pc 1986	89	+	3.37	9.13
102	99⅛	Exch. 10½pc Cv '86	99	+	10.57	10.89
104	101⅝	Treas 12pc 1986	101⅝xd	......	11.81	11.12
98¼	95¼	Treas 8½pc 1984-86‡‡	95¼	......	8.92	11.04
108	105¾	Exch. 14pc 1986	105	+	13.23	11.19
87⅛	85	Exch. 2½pc 1986	85¼	......	2.92	8.98
107	104	Exch. 13¼pc 1987	104⅛	+	12.69	11.26
100¼	97	Treas 10¼%Cv '87	97⅝	+⅛	10.50	11.24
86⅛	83	Exch 2½pc 1987	83¼	......	2.99	9.29
101	97¼	Exch. 10½pc 1987	97	+	10.72	11.34
92	89	Funding 6½pc '85-87‡‡	89	......	7.30	10.96
99⅝	96	Treas. 10pc 1987	96 xd	+⅛	10.36	11.38
85	82⅛	Treas 3pc 1987	82⅛	......	3.65	9.72
105	101⅛	Treas. 12pc 1987	101½	+⅛	11.82	11.44
94⅞	89⅞	Treas 7¼pc 1985-88‡‡	90	+⅛	8.61	11.11
100⅛	95½	Exch 10½pc '88	97⅛	+	10.81	11.42
98	94¼	Treas 9¾pc Cv '88	94 xd	+	10.32	11.52
82	77⅛	Transport 3pc '78-88	77⅜	......	3.88	9.82
96	93	Treas. 9½pc '88	93	+⅛	10.19	11.49
106¼	99⅞	Treas 11½pc 1989	100	+⅛	11.50	11.47
50	47⅛	Treas9½pcCv'89 (£50pd)●	47½	+⅛	10.22	11.41

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
103	95¼	Treas.10½pc 1989	95	+	10.95	11.58
100	96¾	Exch.10pc 1989	97⅝	+⅛	10.70	11.70
98	94⅝	Do.10pc '89 A	94¼	+⅛	10.70	11.70
85⅛	78¼	Treas 5pc 1986-89	78⅞	+⅛	6.38	10.32
112⅛	107⅝	Treas 13pc 1990‡‡	109⅝	+⅛	12.37	11.72
110⅞	104¼	Exch. 12½pc 1990	105	+¼	12.15	11.78
93¼	86½	Treas 8¼pc 1987-90‡‡	86⅝xd	+⅛	9.46	11.23
98	90⅝	Treas. 10pcCv 1990	95⅛	+⅛	10.81	11.46
107	102⅝	Treas 11¾pc 1991	103¼	......	11.81	11.85
84⅛	77¼	Funding 5¾pc '87-91‡‡	77½	+⅛	7.50	10.62
105¾	97¾	Exch. 11pc 1991	97⅞	......	11.35	11.62
112⅝	107⅝	Treas 12¾pc 1992‡‡	108⅞	+⅛	12.18	11.79
100⅝	94⅝	Treas 10pc 1992	95⅜	+⅛	10.77	11.38
111⅛	104⅛	Exch. 12¼pc '92	104⅞	+⅛	12.01	11.86
117½	110	Exch 13½pc 1992	110¼	+⅛	12.50	11.93
113⅝	107¾	Treas 12½pc 1993‡‡	108⅝	+¼	12.00	11.73
78¾	73¼	Funding 6pc 1993‡‡	73½	+⅛	8.29	10.75
121¼	110⅝	Treas 13¾pc 1993‡‡	111¼xd	+⅛	12.37	11.76
126¼	118⅝	Treas 14½pc 1994‡‡	119⅝	+⅛	12.49	11.67
120⅝	110	Exch 13½pc 1994	110⅞	+⅛	12.33	11.85
114⅛	106⅝	Exch. 12½pc 1994	107⅛	+⅛	12.01	11.80
94½	86⅛	Treas 9pc 1994‡‡	87	+⅛	10.36	11.14
109¾	104¾	Treas 12pc 1995	105½	+⅛	11.81	11.71
64⅛	60⅞	Gas 3pc '90-95	61	......	4.93	8.59
99⅛	95⅛	Exch. 10¼pc 1995	95⅜	......	11.15	11.54
117⅞	106⅞	Treas 12¾pc 1995‡‡	107½	+⅛	11.89	11.58
122⅝	117¾	Treas. 14pc '96	118⅝	+⅛	12.28	11.75
94⅞	87⅛	Treas 9pc 1992-96‡‡	87⅞	+⅛	10.44	11.12
134⅞	122¾	Treas 15¼pc 1996‡‡	123⅛	+¼	12.44	11.69
122⅛	110¾	Exch 13¼pc 1996‡‡	111½	+⅛	11.91	11.50
69½	65¼	Redemption 3pc 1986-96	66¼	+⅛	4.56	7.22
120	115⅛	Treas 13¼pc 1997‡‡	116⅛	+¼	11.85	11.44
104½	96⅛	Exch 10½pc 1997	97¼	+⅛	11.09	11.29
92½	85⅛	Treas 8¾pc 1997‡‡	86	+⅛	10.41	11.06
134⅝	122½	Exch. 15pc 1997	123⅛	+¼	12.28	11.69
95½	91½	Exch. 9¾pc 1998	91¾	+¼	10.84	11.19
78	71⅛	Treas 6¾pc 1995-98‡‡	71½	+⅛	9.49	10.80
138⅝	128⅝	Treas. 15½pc '98‡‡	129⅞	+¼	12.19	11.56
115	104	Exch. 12pc 1998	104⅝	+¼	11.48	11.34
96	92½	Treas 9½pc 1999‡‡	92⅝	+¼	10.64	10.98
116⅛	107⅞	Exch. 12¼pc 1999	108⅝	+¼	11.48	11.30
104½	95⅛	Treas. 10½pc 1999	95⅝xd	+⅛	10.99	11.12

Over Fifteen Year

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102½	93⅛	Convers'n 10¼pc 1999	93⅝xd	+⅛	10.96	11.12
121½	116⅞	Treas. 13pc 2000	117⅝	+¼	11.50	11.23

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
75	45	MFD Group	73	−1	1.5	♦	2.9	♦
27½	21	M Y Dart 10p	25½	.....	0.75	1.6	4.2	15.3
154	136	McCarthy Ph 20p	149	+1	7.0	2.8	6.7	6.6
165	114	Macfarlane Gp	165	.....	3.87	2.6	3.4	11.4
45	27	Macfarlan 20p	42	.....	1.6	♦	5.6	♦
127	44½	Macpherson (D.)	127	.....	♦2.75	0.1	2.5	—
64	51	Magnolia Group	53	.....	2.5	3.2	6.7	5.2
64	43	♦Mainmet Hldgs 10p	47	.....	—	—	—	50.0
270	157	Man. Ship Can. £1	260	+1	5.5	3.5	3.0	13.4
95	78	Marley	85	.....	3.2	2.1	5.4	11.9
50½	40	Marling Ind. 10p	49	−½	†1.08	1.7	3.1	22.0
46	29	Marshall L'sy 'A'	37	−1	1.2	3.6	4.6	16.6
66	54	Marshall's Univ	60	+2	—	—	—	118.1
30	22	Martin-Black	22	.....	—	—	—	—
£108	£88	♦Mathesons 7¼%	£94	.....	Q7¼%	2.3	19.0	—
378	296	Metal Box £1	368	+4	†11.55	3.2	4.5	7.8
220	129	Metal Closures	218	.....	6.3	♦	4.1	♦
27	18	♦Metal Sciences 2½p	20	+1	—	—	—	—
19	9½	♦Metamec Jentique	9½	−2½	0.01	—	—	—
133	90	♦Midland Marts	93	.....	4.0	♦	6.1	♦
64½	45	Mitchell Cotts	61	+½	3.62	1.0	8.9	15.4
29	18	Moben Grp 1p	24	−1	0.5	♦	3.0	♦
£255	£184	M'santo 5pc 82-6	£212	.....	Q5%	—	12.4	—
168	132	Morgan Crucible	157	.....	7.5	♦	6.8	♦
97	82	Moss (Robt.) 10p	95	+1	†7.0	2.4	3.0	17.6
300	197	♦NMW Computers	300	.....	6.0	3.0	2.9	16.7
65	57	Nash Inds.	58	.....	4.0	2.2	9.9	6.7
47	30	Neill&Sp'ncer 10p	38	.....	—	—	—	16.4
70	45	New Equip 10p	70	.....	♦1.15	6.5	2.3	9.4
33	16	Newman Industs	22	.....	—	—	—	12.0
31	16½	Do. 10pc Cm. Pf.	25	+2	10%	—	5.7	—
66	43½	Nolton	43½	.....	1.0	2.9	3.3	15.3
275	250	Norcros	258	.....	67.0	2.3	6.3	9.5
86	66	Nu-Swift 5p	68	.....	—	—	—	13.3
100	75	Oakwood Grp.	75	.....	d6.5	—	12.4	—

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
115	76	Mecca Leisure 10p	84	.....	†4.4	2.1	7.5	[illegible]
170	138	♦Miss World 10p	170	.....	3.0	3.5	2.4	[illegible]
24½	19½	♦Nationwide Leis.	22	.....	0.25	2.8	1.6	[illegible]
38	17	♦Norfolk Int 20c	24	.....				
145	112	Norton Opax 10p	140	+2	12.17	4.3	2.2	[illegible]

For Our Price see Stores

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
31½	24½	♦Owners Abroad	24½	−½	0.75	♦	4.3	[illegible]
66	35	Photax (Lon.)	52	.....	—	—	—	[illegible]
130	95	♦Pineapple Dnt St 10p	105	.....	d1.5	4.0	2.0	[illegible]
420	312	Pleasurama 5p	348	+5	6.5	4.7	2.7	[illegible]
158	110	♦Radio City 'A' NV	120	.....	5.6	1.9	6.7	[illegible]
70	61	♦Radio Clyde N/V	62	.....	3.0	1.4	6.9	[illegible]
148	103	Riley Leisure 10p	103	.....	4.2	2.4	5.8	[illegible]
118	95	Saga Hols. 20p	99	.....	3.75	♦	5.4	[illegible]
390	290	Samuelson Grp £1	360	.....	d12.0	2.7	4.8	[illegible]
27½	24	♦Sangers Photo 10p	24	.....	bg1.25	1.8	7.4	[illegible]
164	98	Scott. TV 'A' 10p	156	.....	8.1	2.9	7.4	[illegible]
280	186	SeaCo Inc	251	−10	—	—	—	[illegible]
35	21	♦SelecTV 10p	22	.....	—	—	—	[illegible]
37	24	TSW 5p	33½	.....	1.2	2.2	5.1	[illegible]
150	79	♦TVS N/Vtg 10p	135	.....	2.0	5.5	2.1	[illegible]
30	22	♦Television Svcs 10p	27½	.....	b0.2	♦	1.0	[illegible]
90	70	Tottenham Hotspur	71	.....	b4.0	1.9	8.0	[illegible]
147	120	Trid'nt TV 'A' 10p	144	−1	5.5	1.8	5.5	[illegible]
168	168	♦21st Century Dnt	105	.....	—	—	—	[illegible]
197	135	♦Tyne Tees TV A £1	195	.....	8.25	2.4	6.0	[illegible]
166	107	Ulster TV N V 'A'	154	.....	†8.0	2.5	7.4	[illegible]
25½	18	Webb (Jos.) 5p	22	.....	d0.51	0.5	3.3	[illegible]
98	88	Zetters 5p	92	.....	†3.1	3.0	4.8	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
76	52	BL 50p	62	−1	—	—	—	[illegible]
66	50	♦Coleman Milne 10p	58	.....	1.7	♦	4.2	[illegible]

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES—Continued

Australians

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
18	14½	♦ACM 20c	15	−½	—	—	—
48	27	♦Allstate Explo NL	27	−1	—	—	—
10½	4	♦Asia Oil & Minerals	5½	−¼	—	—	—
19	13	♦Aust. Hydrocarbons NL	15	.....	—	—	—
28	20½	♦Australis Mng N1	22		—	—	—
45	15	♦Balmoral Res.	34½	−½	—	—	—
36	27	♦Black Hill Mins.	27	.....	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

[illegible]

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard EC4P 4DX 01-236 1833

High Income				
Gilts & Fixed Int.	115.2	121.9	+0.8	9.84
High Inc Equity	65.0	69.1	+0.1	6.12
Capital Growth				
American Growth	94.8	100.8	-1.1	1.46
Assets & Ergs. T.	58.1	62.1	-0.2	2.80
Capital Reserve (z)	52.5	52.8	+0.3	0.80
Commodity & Engy	73.3	78.2	-0.6	3.52
General	95.7	102.4	-0.2	2.39
Japan	130.2	139.2	+0.8	0.72
UK Growth	61.6	66.2	-0.4	2.57
Acc Units	86.1	92.6	-0.5	2.57
US Emerging Co's	46.1	49.3	-0.4	0.53
Worldwide Spcl	142.5	151.6	-0.3	3.63
Equities Prog	134.7	144.1	-0.2	3.83

Britannia Gp of Unit Trusts Ltd (a) (c) (g)
Salisbury Hse, 31 Finsbury Circus, London, EC2. 01-638 2777. Dealing: 01-638 0478/0479.
Britannia Viewpoint 01-673 0048

UK Specialist Funds				
Growth Gilt Trust	49.5	50.3	.....	0.88
Recovery	70.8	75.5	-0.1	2.98
Smaller Cos	95.5	101.9	-0.4	1.63
Spec. Mkt. Sits.	71.2	75.9	-0.4	1.96
UK Blue Chip	60.2	64.2	+0.1	3.38
High Income Funds				
Nat. High Inc.	125.6	134.0	-0.2	6.26
Extra Inc.	49.0	52.5	.....	8.06
Inc & Growth	129.1	137.7	-0.1	5.44
Gilt	26.1	27.5	.....	9.20
Pref. Shares	18.2	19.4	.....	11.86
Sector Specialist Funds				
Commodity Shares	139.5	148.9	-0.9	1.77
Financial Secs.	153.2	163.4	-0.3	2.31
Gold & General	29.5	31.5	+0.5	2.46
Int. Leisure Afr.	9.7	10.3	-0.1	0.69
Inv. Tst. shares	96.3	102.7	-0.3	1.21
Prop. Shares	34.9	37.2	-0.1	1.66

Bridge Fund Managers (a)(c)
Regis Hse., King William St., EC4. 01-623 4951

Amer. Gen. Inc.†	51.8	55.0	.....	0.72
Do. Acc†	51.9	55.9	.....	0.72
Income*	88.6	94.7	.....	4.85
Capital Inc.‡	90.3	97.1	.....	1.41
Do. Acc.‡	114.4	123.1	.....	1.41
Exempt‡	212.0	223.0	.....	2.93
Intl. Recovery Inc.‡	40.2	43.3	.....	1.04
Do. Acc.‡	52.6	56.6	.....	1.04

Dealing *Tues. ‡Wed. †Thur. Prices May 15.16.17.

For Craigmount Unit Trust see Temple Bar Unit Trust.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4, Melville Cres., Edinburgh 3. 031-226 3492

Cres. American	59.4	63.5	-0.3	1.34
Cres. Capital	51.1	54.6	-0.4	2.52
Cres. Growth & Inc.	86.1	92.1	-0.1	4.46
Cres. High. Dist.	72.4	77.4	-0.1	6.78
Cres. International	132.1	141.3	-0.6	0.98
Cres. Resources	25.1	27.9	-0.2	2.15
Cres. Tokyo	89.3	95.5	-0.5	0.26

British Tst. (Accum)	36.7	39.1	-0.1	2.15
Commodity Share	65.5	69.7	-0.3	1.69
Extra Income	32.2	34.3	-0.1	6.30
Far East Trust	59.1	62.9	-0.2	0.57
Fixed Int Fd	24.9	26.5	.....	10.70
Gilt Trust	25.9	27.6	+0.2	10.07
Global Strat.	86.1	91.7	-0.4	0.32
Global Strat. (Dist.)	83.4	88.8	-0.5	0.32
Gold Share Trust(z)	21.6	23.0	+0.3	0.96
High Income Tst.	89.2	94.9	+0.7	6.31
Hong Kong Trust	18.5	19.7	-0.1	1.77
Income Fund	40.4	43.0	-0.1	5.02
Ins. Agencies	29.60	31.64	-0.02	2.53
Inc. & Grth. Exempt	194.1	207.9	-1.0	3.43
Japan Trust	59.1	62.8	-0.8	0.13
Oil & Energy Trust	37.9	40.4	.....	1.04
Special Sits. Tst.	63.1	67.2	+0.5	1.14
UK Sm. Co. Rec. Trust	42.6	45.4	.....	1.32

Insurances—continued

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar. 0707 142311

Pension Funds				
EqPenFdAcc	687.3	723.4	-1.2	—
EurpFdAcc	103.2	108.6	-0.4	—
FxdIntAcc	424.6	446.9	+1.2	—
GtMnPnAcc	259.7	273.3	+0.2	—
IntManFd	259.4	273.0	-1.9	—
JapPnFdAcc	140.7	148.1	+0.4	—
AmPnFdAc	118.5	124.6	-0.4	—
Property	243.8	256.6	+0.1	—
MpIntPnAc	549.7	578.6	-1.3	—

Colonial Mutual Group
24 Ludgate Hill EC4P 4BD. 01-248 9861

Capital Life Assurance				
KeyInvFd	—	131.09	....	—
PcmkrInvFd	—	132.91	....	—
Equity Fd	134.61	141.70	....	—
FxdIntFd	111.72	117.60	....	—
Propty Fd	114.47	120.49	....	—
Cash Fd	102.91	108.33	....	—
ManagdFd	130.58	137.45	....	—

Col Mut Life (Pension Annuities)				
ManCpA·B	123.23	129.72	....	—
ManInvA,B	124.64	131.21	....	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnnMay19	—	168.66	-1.90	—
VarAnnMay25	—	36.70	-0.23	—
Prime Series—Life				
Managed	139.0	146.4	-0.1	—
UK Equity	147.2	155.0	-0.3	—
Intl Eq	128.5	135.3	....	—
Property	106.1	111.7	....	—
Fixed Int	111.2	117.1	+0.1	—
IndxLkdGt	90.5	95.3	-0.1	—
Cash	102.0	107.4	+0.1	—
Prime Series—Pensions				
Managed	107.3	113.0	+0.1	—
UK Equity	111.6	117.5	-0.3	—
Itn Eq	101.2	106.6	+0.6	—
Property	98.1	103.3	....	—
Fixed Int	95.1	100.2	+0.1	—
IndxLkdGt	92.8	97.7	....	—
Cash	98.0	103.2	+0.1	—

Continental Life Assurance PLC
64 High St Croydon CR0 9XN 01-680 5225

Equity Acc	189.9	199.9	....	—
Propty Acc	164.4	173.1	....	—
Int Acc	150.1	158.0	....	—
ManagdAcc	175.3	184.6	....	—
Spec Sits	132.2	139.2	....	—
PenIntAcc	146.1	153.8	....	—
PenPrpAcc	184.9	194.7	....	—
PensEquity	233.5	245.8	....	—
PenMvAcc	175.3	184.6	....	—

Gilt deposit, index fund prices available on request.

Friends' Provident Life Office
Pixham End, Dorking. (0306) 885055

Life Funds				
Cash Acc	100.2	105.5	....	—
UKEqAcc	121.3	127.7	-0.5	—
Fixed Int	101.1	106.5	+0.1	—
IndxLkdAcc	91.4	96.3	+0.1	—
MixedAcc	108.8	114.6	-0.2	—
O'seasEqFd	102.8	108.3	-0.5	—
Propty Acc	103.3	108.8	....	—
Pension Funds				
Cash Acc	103.4	108.9	....	—
Cash Cap	99.8	105.1	....	—
UK Eq Cap	113.7	119.7	-0.5	—
UK Eq Acc	117.8	124.0	-0.5	—
FxdIntCap	100.6	105.9	+0.1	—
FxdIntAcc	104.3	109.8	+0.1	—

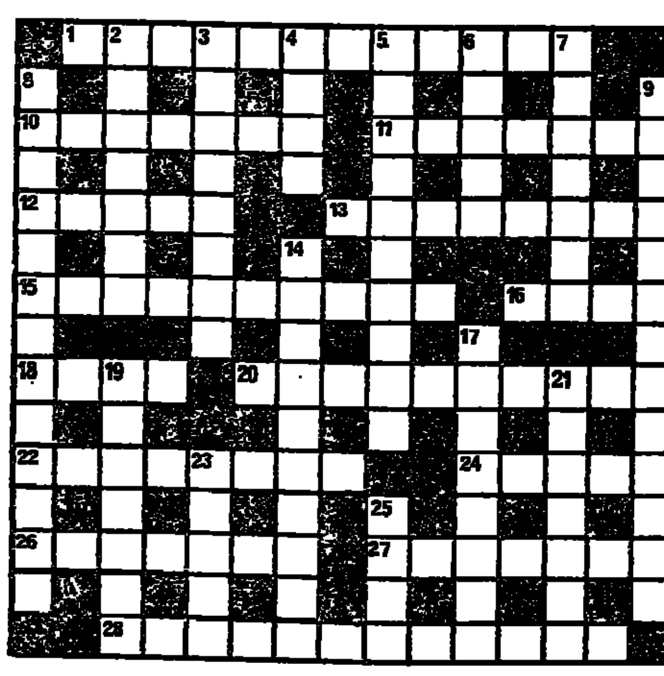
Offshore & Overseas—continued

INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,422



ACROSS

1 Reckon after pop you require one looked on as leader (6-6)
10 A Roman's possibly seen in a row (7)
11 Shabbier and more than sticky (7)
12 Gather round in foreshore (8)
13 Is pretext almost out of order to be earlier? (3-5)
15 1, 6, 8, 9, 20 and 28 are connected thus (10)
16 What's found in haystack (needle) can be bent (4)
18 Reasonable light (4)
20 Last of ironing rushed dis-heartens old ladies (5-5)
22 Lee aglow with disturbance large hooter produced (3, 2)
24 I'm among a hundred from Athens? (5)
26 Trick returning, replacing one in anger, to rise again (7)
27 Back sort of park in endorsement. Guts required (7)
28 Affection shown by the Nolans? (12)

DOWN

2 Tune on man, we hear, quickly delivered? (3, 4)
3 It's dull coming up in French number — end of wintry dampness (8)
4 Offensive line (4)
5 Put the lettuces among the radishes? (10)
6 He could be associated with pop (5)
7 Issue diet on one arrangement (7)
8 She clearly has a daughter—making buttons? (6-2-5)
9 Different things in, in terrible brawl, connected like 15 (8-2-3)
14 Each hewer makes a mess all over the place (10)
17 One-sided role is one (8)
19 Dean stops without work, takes things in (7)
21 Counts on ether and chloroform? (7)
23 Some lords have gems and don't keep quiet (5)
25 Beginnings of Erebus—violence, ill-feeling and lust? (4)

Solution to Puzzle No. 5,421

A	C	T	I	O	N	■	M	A	N	A	G	E	R	S
L	■	E	■	N	■	■	■	D	■	G	■	D	■	E
E	A	R	N	E	D	■	P	A	C	I	F	I	S	T
R	■	M	■	D	■	C	■	M	■	T	■	T	■	T
T	E	A	R	A	W	A	Y	■	R	A	C	H	E	L
E	■	G	■	Y	■	P	■	O	■	T	■	■	■	E
D	E	A	L	■	B	I	L	L	P	O	S	T	E	R
■	■	N	■	D	■	T	■	D	■	R	■	E	■	■
S	A	T	U	R	N	A	L	I	A	■	E	S	A	U
E	■	■	■	E	■	L	■	R	■	P	■	T	■	S
C	O	A	R	S	E	■	C	O	L	L	A	P	S	E
T	■	D	■	S	■	G	■	N	■	I	■	I	■	L
O	R	I	G	I	N	A	L	■	B	A	I	L	E	E
R	■	E	■	N	■	A	■	■	■	N	■	O	■	S
S	M	U	G	G	L	E	R	■	S	T	A	T	E	S

INSURANCE & OVERSEAS MANAGED FUNDS

Lloyds Life Assurance—cont.
Gartmore Funds—Series A

American May 15	159.4	167.8	....	—
Australian May 15	107.6	113.3	....	—
British May 15	143.0	150.6	....	—
Commodity May 15	131.3	138.3	....	—
Extra Inc May 15	133.7	140.8	....	—
Far Eastern May 15	118.3	124.6	....	—
Gilt May 15	97.5	102.5	....	—
Global Strat May 15	179.4	188.9	....	—
Gold Share May 15	77.2	81.3	....	—
High Inc May 15	136.9	144.2	....	—
Income May 15	172.9	182.0	....	—
Japan May 15	179.1	188.6	....	—
Oil & Energy May 15	134.1	141.2	....	—
Special Sits May 15	155.6	163.8	....	—
UK Smaller Cos May 15	144.6	152.3	....	—
Man Growth May 15	158.5	166.9	....	—

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393
"Asset Builder" 68.7 72.8 .... —

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

Money Mngr May 16	66.6	71.3	....	—
M/M Flexible May 10	59.1	62.3	....	—
Fixed Interest May 4	57.7	60.8	....	—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179
Continued on adjacent Page

London & Manchester Group
Winslade Park, Exeter EX5 1DS. 0392 52155

	Cap	Acc		Bid M/C
Invest Trust Fd	310.6	336.9	-1.8	353.4
Property Fd	117.7	127.8	....	132.5

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Property Fund	292.6	....	—	
Property Fund (A)	284.0	....	—	
Agricultural Fund	1,152.0	....	—	
Agric. Fund (A)	1,119.9	....	—	
Abbey Nat. Fund	234.2	....	—	
Abbey Nat. Fd. (A)	233.0	....	—	
Investment Fund	141.3	....	—	
Investment Fund (A)	138.1	....	—	
Equity Fund	459.0	-1.2	—	
Equity Fund (A)	449.6	-1.2	5.8	
Money Fund	226.0	....	—	
Money Fund (A)	221.5	....	—	
Actuarial Fund	233.1	....	—	
Gilt-edged Fund	192.5	+0.2	—	
Gilt-Edged Fd. (A)	192.5	+0.2	—	
Retire Annuity	370.0	....	—	
Immed. Ann'ty	194.5	....	—	
International Fd.	253.7	-3.3	—	
Bldg. Soc. Life Fd.	109.4	....	—	

Property Growth Pensions & Annuities Ltd.

All Weather Ac. Uts.	276.4	291.0	....	—
Inv. Fd. Uts.		316.2	....	—
Pension Fd. Uts.		266.1	....	—
Conv. Pens. Fd.		313.4	....	—
Cov. Pns. Cap. Ut.		230.0	....	—
Man. Pens. Fd.		368.5	....	—
Man. Pens. Cap. Ut.		282.0	....	—
Prop. Pens. Fd.		293.0	....	—
Prop. Pens. Cap. Uts.		217.7	....	—
Bldg. Soc. Pen. Ut.		271.6	....	—
Bldg. Soc. Cap. Ut.		203.5	....	—
Gilts Pens. Fd.		173.8	+0.2	—
Gilts Pens. Fd. Cap.		148.9	+0.2	—
Equity Pens. Fd.		292.1	-1.9	—
Equity Pens. Fd. Cap.		250.1	-1.9	—
Intl. Pens Fd		103.4	....	—
Intl Pens Fd Cap		101.8	....	—

Providence Capitol Life Assc. Co. Ltd.

Standard Life Assurance Company
3 George St., Edinburgh EH2 2XZ. 031-225 2552.

Managed	217.5	229.0	-0.6	—
Property	156.9	165.2	....	—
Equity	270.6	284.9	-1.4	—
International	206.2	217.1	-0.7	—
Fixed Interest	171.8	180.9	+0.2	—
Index Linked	98.0	103.2	....	—
Cash	134.9	142.0	+0.1	—
Pension Managed	259.0	272.7	-0.6	—
Pension Property	161.5	170.1	+0.1	—
Pension Equity	329.1	346.5	-1.5	—
Pension Intl.	249.0	262.2	-0.6	—
Pension Fxd. Int.	182.0	191.6	+0.3	—
Pension Index Linked	98.7	103.9	....	—
Pension Cash	154.4	162.6	+0.1	—

Sun Alliance Insurance Group
Sun Alliance House, Horsham. 0403 64141

	Series (2)			[illegible]
Managed Fund	251.6	264.9	-0.8	252.2
Index Linked Fund	112.0	117.9	....	112.8
Equity Fund	324.4	341.5	-1.0	325.3
Fixed Interest Fund	202.0	212.7	+0.3	202.5
Property Fund	222.1	233.8	....	222.7
International Fd.	189.3	199.3	-1.7	189.8
Deposit Fund	148.2	156.0	....	148.5
Int Bond May 15		23.31		—

Series (2) Prices are for policies issued after 11/7/1982.
Series (1) These are bid prices for earlier policies.

Individual Pension Funds

Managed	161.1	169.6	-0.4	—
Index Linked	130.4	137.3	+0.1	—
Equity	166.2	175.0	-0.3	—
Fixed Int.	169.5	177.8	+0.2	—
Property	120.9	127.3	....	—
International	159.8	168.3	-1.5	—
Deposit	118.5	124.8	....	—

*Group Pension funds—Prices available on request.

Sun Life of Canada (UK) Ltd.
2, 3, 4, Cockspur St., SW1Y 5BH 01-930 5400

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.
Worldinvest Inc. $115.82 116.42 .... 11.90
Valued weekly on Wednesdays.

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Unigilt Trust	44.2	46.0	....	10.90
Unidollar Trust	$14.97	15.87	....	1.10
Unibond Trust	$79.40	80.21	....	11.20

1, Thomas St, Douglas, Isle of Man 0624 23252

Uni-Australian Tst.	83.5	88.9	....	1.20
Uni-Aust. Mineral Tst.	69.1	73.6	....	1.50
Uni-Pacific Trust	187.6	199.6	....	—
Uni-International Tst.	75.7	80.6	....	0.50

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911

ARMAC* May 8	$51.15	54.39	....	—
COUNT** May 8	£3.523	3.736	....	1.41
CANRHO**May 8	2.536	2.690	....	—

Original issue. *$10 and **£1. Next val. June 4.

Eridge Management Ltd.
GPO Box 590, Hong Kong

Nikkei My 15 (10for1)	Y4,690	4,810	....	4.619
Nippon Fd May 16	$30.70	32.07	....	0.94

Britannia Intl. Investment Mngmt. Ltd.
Box 271, Queensway House, Queen Street, St. Helier, Jersey, C.I. 0534-73114

U.S. Dollar Denominated Funds

AmSmallerCos.Fd.	$1.904	2.047	-0.025	—
Dollar Inc Fd.	$0.784	0.839	....	11.00
$ Mngd Curr'cy Fd	$9.18	9.67	+0.01	5.50
Intl High Inc	$2.014	2.127	....	—
Gold Fund	$1.076	1.174	+0.008	4.51
Jap Dollar Perf.	$0.870	0.935	-0.005	—
Normandie In SFdr	$11.82	12.71	....	—
Universal Grwth Fd.	$0.875	0.941	+0.004	—
World of Leisure	$0.922	0.991	-0.008	—

COMMODITIES AND AGRICULTURE

Commodity prices rise strongly

BY RICHARD MOONEY

PRICES on London's leading soft (non-metal) commodity markets moved up strongly yesterday despite the strength of sterling against the dollar.

On the coffee futures market, the July position ended £33.50 up at £2,507.50 a tonne; July cocoa closed £61.50 up at £2,074.50 a tonne; and October suger rose $6.60 to $172.70 a tonne.

Boosted by reports of quality problems with the 1984-85 Brazilian crop and continuing concern about the availability of adequate quality supplies for delivery against nearby position July coffee climbed to a 6½-year high of £2,595 a tonne at one stage.

Price rises so far this season have triggered the release of an extra 3m bags (60 kilos each) of coffee export quotas under the terms of the International Coffee Agreement, taking the total for the 1983-84 season to 59.2m bags. If prices remain at present levels a further 1m bags will be added early next month. However, there are *serious doubts about the ability* of the market to deliver more than 57m bags of acceptable quality coffee during the current season.

Yesterday's advance was encouraged by forecasts that the 1983-84 Ivory Coast crop will not be much more than 80,000 tonnes, compared with earlier estimates of up to 220,000 tonnes.

Reports of cold weather near Brazil also encouraged the rise, though some traders thought it was too early to be talking of frost in the coffee growing regions. Traditionally July to early August is the prime frost-risk period.

Cocoa prices registered permissible limit rises in nearby positions during the morning session, and the July quotation ended the day £61.50 up at £2,074.50 a tonne.

Last week's forecast by London merchants Gill and Duffus of a 132,000 tonnes supply deficit in the current *season continued to affect* market sentiment, dealers said, and the advance was further encouraged by reports that heavy rains in Brazil had set back development of the 1984-85 main crop.

Another factor influencing the rise was talk circulating in London that Nigeria was short of current crop supplies and would be unable to meet nearby delivery commitments. Nigeria's 1983-84 crop is reported to be the lowest for many years at about 115,000 tonnes.

Light speculative buying boosted values on the London *sugar futures market*, which has been extremely weak of late. The firmness of precious metals and reports of Syrian white sugar purchases were quoted as encouraging the rise, which left the October position $6.60 up at $172.70 a tonne. In the morning the London daily raw sugar price was fixed £3 up at £110 a tonne.

London tea prices fall on lack of demand

TEA PRICES lost ground at the London weekly auctions yesterday as a result of reduced buying interest. Indicative average quotations put quality tea prices 8p lower at 292p a kilo; medium grade down 6p to 260p; and low medium 7p down at 228p.

The market is in a seasonably quiet state awaiting the arrival of the first new crop of Indian tea offerings, which normally do not reach the auctions in any sizeable amount until September.

India's recent decision to lift the ban on exports of CTC (crush, tear and curl) teas imposed last December should improve supplies available, but at present world production remains lower than consumption putting a firm undertone in the market.

● LONDON POTATO futures reached a new peak yesterday when the May position jumped to £315 at one stage before ending the day at £308 a tonne, still £8.75 up on Friday's close.

The rise reflected the continuing shortage of immediately available supplies. New crop positions, starting with the November quotation, all lost ground following the rain over the weekend which improved crop prospects.

● KUALA LUMPUR Commodity Exchange has withdrawn emergency regulations enforced on the palm oil futures market since March 12.

● AUSTRALIAN wheat growers may plant up to 12.8m hectares of wheat in the 1984-85 (October/September) season, about 150,000 hectares more than last year's recod, the Australian Wheat Board said.

The Australian Wool Production Forecasting Committee was the predicted wool production of 770m kilos greasy in the 1984-1985 season beginning July 1.

Cuban co-operatives have bad year

BY CANUTE JAMES IN KINGSTON

A CUBAN EXPERIMENT to encourage the development of agricultural co-operatives as a buffer between state and private farming, has had less than expected results.

A recent meeting of the island's National Association of Private Farmers (NAPF) was told that most of the 1,450 agricultural co-operatives lost money last year, and only 35 per cent had a profitable year.

The co-operatives' problems have been identified as low yields caused by poor land use, problems which the Cuban Government had attempted to solve by a range of facilities and incentives.

The importance of the co-operatives to Cuban agriculture suggests that the Government will seek to provide state support to make them work.

This support will follow a programme of incentives effected last summer, when the co-operative movement was granted social security and pension benefits.

Before this they enjoyed low interest credit, 6 per cent from the Government, common pools of farm machinery, shared marketing facilities, and centralised educational, medical and leisure facilities.

Last year's poor performance is likely to set back one of the movement's main aims — to attract private farmers.

This increasingly small group has been progressively neglecting the land for jobs in other sectors where social security benefits can be obtained, and their contributions are lost to agriculture.

Private farmers and the co-operatives share about one-fifth of Cuba's arable land. The co-operatives work about 40 per cent of this, about 700,000 hectares.

The number of private farming enterprises has been falling steadily in the past decade, and has dropped by about one half to just under 100,000 families.

The co-operatives have been growing, and contain about 65,000 families.

Part of the effort to lure private farmers into the co-operatives is aimed at solving the problems which affected the movement last year. Private farmers have proved to be more efficient than the co-operatives, and by getting them into the movement, the hope is that co-operative efficiency will improve.

In an economy which is overwhelmingly state controlled, the contributions of the non-state farming sector are becoming increasingly important.

The co-operatives grow sugar cane, coffee, tobacco, cocoa, vegetables and livestock.

Private farmers and co-operatives account for about 20 per cent of the cane sent to the island's mills, and produce about 60 per cent of Cuba's orchard fruits, except citrus.

The movement thrives in the province of Pinar del Rio, the centre of Cuba's tobacco industry. Co-operatives account for an average of 35,000 tonnes of Cuba's annual tobacco crop of 45,000 tonnes.

According to the NAPF, however, losses in Pinar del Rio, where co-operatives work just under 100,000 hectares of tobacco land, reached the equivalent of $2m (£1.4m) last year.

The problem of inefficiency showed itself in national figures, which revealed that the co-operative movement registered a return of $1 on every two-and-a-half invested.

The Cuban Government is likely to seriously consider suggestions from co-operative leaders that it revises the credit arrangements and the methods of distributing farm machinery, as well as improve infrastructure such as housing and electricity.

While the co-operatives in Pinar del Rio registered losses, those in Havana province seem to thrive last year.

The Havana co-operatives which concentrate on vegetables, plan to produce 20,000 tonnes this year.

From investment totalling $4.5m last year, the Havana co-operatives grossed $6m.

Steady development of co-operatives will also help the Government deal with middlemen who have exploited the "free markets", which have been allowed for surplus production.

Private farmers who meet their annual supply quotas to the state are allowed to sell surplus to the free markets.

Middlemen, viewed in socialist Cuba as economic aberrations, or worse, have been buying the surplus off the farmers and setting their own prices in the "free markets."

Attracting more private farmers to the co-operatives, which have structured market arrangements, is likely to reduce sources of supply for the middlemen.

Falling stocks boost metal prices

BY JOHN EDWARDS, COMMODITIES EDITOR

FALLING STOCKS, and a firmer trend in gold, boosted London base metal prices yesterday.

Copper stocks in London Metal Exchange warehouses fell for the 16th week in succession reducing total holdings by 11,025 to 241,425 tonnes, the lowest level since December 1982. Stocks are now nearly 200,000 tonnes below the five-year peak reached in January this year.

Higher grade cash copper closed £13.25 up at £1,018.75 a tonne, although some traders claimed that the decline in stocks was below market forecasts of a bigger fall of between 15,000-20,000 tonnes.

The fall of 6,325 to 148,725 tonnes in aluminium stocks, the ninth successive weekly decline, was also considered to be *slightly disappointing*, but cash aluminium gained £8.50 to £900.50 a tonne.

Latest figures from the International Primary Aluminium Institute estimated that the daily average production of primary aluminium in the non-Communist world during April rose to 34,200 tonnes in April compared with 33,900 in March and 28,100 in April last year.

Lead stocks were down again by 2,400 to 90,725 tonnes, the lowest level since June 1982 and nearly 130,000 below the peak reached in October 1983.

The decline in stocks was below *general expectations*, the market was firm on the threat of a further supply disruption by Amax lead workers, who were voting yesterday on whether to strike if talks fail to reach agreement on renewing labour contracts due to expire next week.

Cash lead closed £16.50 up at £348.50 a tonne moving to a premium over the three months quotation, which gained £12 to £339.75.

Tin stocks also fell by 285 to 27,630 tonnes; zinc by 100 to 43,975; nickel by 774 to 28,620; and LME silver holdings by 1,796,000 to 48,040,000 ounces.

● MANILA, Philippines Associated Smelting and Refining Corporation said a spill of *molten blister on May 13 has* forced it to suspend operations at its Leyte province copper smelter, Reuter reported.

Threat of North Sea herring war nearer

BY IVO DAWNAY IN BRUSSELS

THE SCENE has been set for the outbreak of hostilities in the North Sea's first-ever herring war following the breakdown of negotiations between Norway and the EEC in Oslo.

Unless last minute compromises are made, Community fisheries ministers look certain on Thursday to announce unilaterally quotas for EEC fishermen, ignoring the Norwegians altogether.

Such a move is certain to spark reprisals from Oslo, which may in turn ban all EEC herring fishing in its waters.

Both sides fear that if the confrontation over the jointly held herring stocks is not quickly resolved, unilateral action could spread to other species. This would unravel a complex web of agreements reached in difficult negotiations over the last decade.

The dispute centres on EEC attempts to cut back on the Total Allowable Catch (TAC) to be allocated to Norway, and Oslo's insistence that more stringent measures are taken to conserve stocks of young fish.

British, Dutch and Danish fishermen claim that Norway's 15,000 tonne interim quota, which expires at the end of June, should be markedly cut back. In support they point to recent scientific stock reports, agreed jointly by Norwegian and EEC experts, that Norway's zone amounts to a 4 per cent share of the total catch.

Oslo says that this ignores key factors such as the economic viability of its herring fishery and compensation for EEC illegal overfishing. Furthermore, it adds, the report failed to take account of Community catches of more than 170,000 tonnes of immature fish last year that both damaged stock recovery and undermined the true scale of the EEC share.

The drastic nature of the EEC response is in part explained by an urgent Dutch need to resume herring fishing to supply its annual quota of Maatjes, a traditional seasonal delicacy of raw baby fish.

PRICE CHANGES

LONDON OIL

SPOT PRICES

GAS OIL FUTURES

GOLD MARKETS

LONDON FUTURES

EUROPEAN MARKETS

BRITISH COMMODITY PRICES

BASE METALS

BASE METAL PRICES were generally firmer on the London Metal Exchange. The strength of precious metals coupled with U.S. buying and a downturn in LME stocks boosted Copper to £1,034.75. Lead responded to the stocks decline and trade buying and borrowing and moved ahead to £338.

COPPER

TIN

LEAD

ZINC

ALUMINIUM

NICKEL

SILVER

Silver was fixed 15.8p an ounce higher for spot delivery in the London bullion market yesterday at 657.45p.

COCOA

COFFEE

GRAINS

SUGAR

COTTON

JUTE

PIGMEAT

POTATOES

RUBBER

SOYABEAN MEAL

WOOL FUTURES

TEA AUCTIONS

INDICES

MEAT/FISH

AMERICAN MARKETS

NEW YORK, May 21

NEW YORK

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Interest rates depress dollar

The main influence on the foreign exchanges yesterday was speculation about a possible limit on U.S. interest rates. Until quite recently it was assumed the upward trend in rates might lead to a rise in the discount rate or at least a tightening of monetary policy at today's Federal Open Market Committee meeting. Economic statistics, indicating strong growth during the early part of the year, underlined this general trend, but there was little anticipation of Fed tightening and higher interest rates in yesterday's market.

A change of sentiment occurred about a week ago when it became clear that Continental Illinois National Bank was suffering a crisis of confidence, and that borrowings by the bank from the Fed and the rescue package would tend to depress New York interest rates. This trend became further exaggerated over the weekend by the statement from Latin American leaders about the difficulties of debtor nations because of the high level of world interest rates.

The threat of intervention by central banks also overhangs the market, and both the German Bundesbank and Bank of Japan were sellers of dollars at various times.

On the other hand the conflict between Iran and Iraq created nervousness and helped to limit the dollar's decline. It fell to DM 2.7570 from DM 2.7735; FFr 8.4750 from FFr 8.5135; SwFr 2.2710 from SwFr 2.2795; and Y233.05 from Y233.25.

The dollar's trade-weighted index, on Bank of England figures, fell to 131.7 from 132.0.

STERLING — Trading range against the dollar in 1984 is 1.4940 to 1.3850. April average 1.4226. Trade-weighted index 80.5, compared with 80.5 at noon, 80.7 at the opening, 80.4 at Friday's close and 83.6 six months ago.

Sterling weakened with the dollar against Continental currencies, but had a firm underlying trend because of the threat to oil supplies as a result of the Gulf War. It opened at $1.3930-1.3940 against the dollar, and finished 45 points higher on the day at $1.3910-1.3920. But the pound fell to DM 3.84 from DM 3.86; FFr 11.79 from FFr 11.8050; and SwFr 3.1625 from SwFr 3.1650. Japan's vulnerable position as an oil importer at the present time kept sterling firm against the yen however at Y324.50, against Y323.75.

D-MARK — Trading range against the dollar in 1984 is 2.8425 to 2.5535. April average 2.6435. Trade weighted index 124.9 against 125.0 six months ago.

The dollar was lower at yesterday's fixing in Frankfurt at DM 2.7656 from DM 2.7730 on Friday. The Bundesbank sold $27.2m at the fixing with no obvious signs of intervention in the open market. There was little clear consensus as to how U.S. interest rates may perform, with fears of higher rates tempered by the potential damage caused to third world debtor nations. Sterling rose to DM 3.8530 from DM 3.8490, boosted by oil price fears.

Within the EMS the Belgian franc eased to DM 4.9230 per BFr 100 from DM 4.9260 and the French franc was lower at DM 32.555 per FFr 100 from DM 32.575. The Dutch guilder also eased to DM 88.95 per Fl 100 against DM 88.96. Elsewhere the Swiss franc slipped on position switching into D-marks but managed to recover to be fixed unchanged from Friday at DM 1.2165.

FRENCH FRANC — Trading range against the dollar in 1984 is 8.6850 to 7.99. April average 8.1285. Trade weighted index 65.9 against 66.7 six months ago.

The French franc showed mixed changes at yesterday's fixing in Paris. The dollar fell to FFr 8.4965 from FFr 8.5265 while sterling improved to FFr 11.8305 from FFr 11.8190. The Swiss franc was also higher at FFr 3.7370 from FFr 3.7340. Within the EMS, the D-mark rose to FFr 3.0712 compared with FFr 3.0690 and the Belgian franc was higher at FFr 15.1260 per BFr 100 from FFr 15.1230. The Dutch guilder lost ground however to FFr 2.7316 from FFr 2.7330.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.5893	+1.56	+1.49	±1.5447
Danish Krone	8.14104	8.21181	+0.87	+0.80	±1.6425
German D-Mark	2.24184	2.24594	+0.18	+0.02	±1.0642
French Franc	6.87456	6.89215	+0.26	+0.19	±1.4052
Dutch Guilder	2.52595	2.52443	−0.06	−0.13	±1.4964
Irish Punt	0.72569	0.730077	+0.60	+0.53	±1.6699
Italian Lira	1403.49	1382.78	−1.48	−1.48	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	1.3910-1.3920	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	1.8005-1.8015	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 79.85-79.95. Six-month forward dollar 1.73-1.78c dis. 12-month 3.60-3.70c dis.

THE DOLLAR SPOT AND FORWARD

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	1.3910-1.3920	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.72-56.82.

OTHER CURRENCIES

May 21	£	$		Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	27.00-27.30
Australia Dollar	1.5510-1.5530	1.1160-1.1165	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	11.78-11.90
Greek Drachma	151.40-151.80	108.60-108.90	Germany	3.83½-3.87½
Hong Kong Dollar	10.89½-10.90½	7.8155-7.8175	Italy	2360-2390
Iran Rial	123.20*	88.80*	Japan	323-328
Kuwait Dinar (KD)	0.4114-0.4120	0.29535-0.29545	Netherlands	4.31-4.35
Luxembourg Fr.	77.95-78.05	56.03-56.05	Norway	10.89-11.00
Malaysia Dollar	3.2280-3.2340	2.3165-2.3180	Portugal	189-198
New Zealand Dlr.	2.1465-2.1515	1.5460-1.5465	Spain	207-217
Saudi Arab. Riyal	4.9030-4.9100	3.5200-3.5210	Sweden	11.25-11.36
Singapore Dollar	2.9450-2.9490	2.1125-2.1140	Switzerland	3.15½-3.18½
Sth African Rand	1.7805-1.7835	1.2795-1.2810	United States	1.38¼-1.40¼
U.A.E. Dirham	5.1150-5.1220	3.6720-3.6730	Yugoslavia	183-216

* Selling rates.

CURRENCY MOVEMENTS

May 21	Bank of England Index	Morgan Guaranty Changes%
Sterling	80.5	[illegible]
U.S. dollar	131.7	+19.9
Canadian dollar	89.9	[illegible]
Austrian schilling	115.2	+3.5
Belgian franc	89.9	−11.2
Danish kroner	77.9	−6.7
Deutsche mark	124.9	+7.7
Swiss franc	146.6	+10.6
Guilder	114.6	+4.5
French franc	65.9	−15.5
Lira	48.3	−12.9
Yen	157.4	+13.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr	11	58.3307	45.5995
Danish Kr	7	10.5008	8.21181
D'mark	4	2.87122	2.24594
Guilder	5	3.22981	2.52443
French Fr	9½	8.82098	6.89216
Lira	15½	1768.95	1382.78
Yen	5	242.833	189.217
Norwgn Kr	8	8.14516	6.37461
Spanish Pta	—	160.039	125.187
Swedish Kr	8½	8.40882	6.58082
Swiss Fr	4	2.36949	1.84538
Greek Dr'ch	20½	112.862	88.2476

* C$/SDR rate for May 18: 1.34356.

EXCHANGE CROSS RATES

May 18	Pound St'rling	U.S. Dollar	Deusche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.392	3.840	324.5	11.79	3.163	4.320	2364.	1.801	78.00
U.S. Dollar	0.719	1.	2.757	233.1	8.475	2.271	3.102	1699.	1.294	56.04
Deutschemark	0.260	0.362	1.	84.51	3.070	0.824	1.125	615.6	0.462	20.31
Japanese Yen 1,000	3.082	4.288	11.83	1000.	36.33	9.746	13.31	7284.	5.550	240.4
French Franc 10	0.848	1.180	3.257	275.2	10.	2.682	3.664	2005.	1.528	66.16
Swiss Franc	0.316	0.440	1.214	102.6	3.728	1.	1.366	747.4	0.569	24.66
Dutch Guilder	0.231	0.382	0.889	75.12	2.729	0.732	1.	547.2	0.417	18.05
Italian Lira 1 000	0.423	0.589	1.625	137.3	4.988	1.338	1.828	1000	0.762	33.00
Canadian Dollar	0.555	0.770	2.132	180.2	6.546	1.756	2.399	1312.	1.	43.31
Belgian Franc 100	1.282	1.784	4.923	416.0	15.12	4.054	5.538	3030.	2.309	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	6⅞-7⅛	9⅛-9⅜	9-9½	5¾-5⅞	¾-1	5¼-5⅜	11¾-12	15-16	10-10½	10-10½	5¹⁄₁₆-6³⁄₁₆	6⅞-7⅜
7 days' notice	7⅝-7¾	10-10¼	9¾-10¼	5¾-5⅞	⅞-1⅛	5⁹⁄₁₆-5¹¹⁄₁₆	11¾-12	14¾-15¾	11-11½	11⅜-11⅝	5⅝-5¹¹⁄₁₆	9⅜-9⅞
Month	8⅛-8⅝	10⁵⁄₁₆-10⁷⁄₁₆	10⅛-10⅜	5⅞-6	3⁵⁄₁₆-3⁷⁄₁₆	5⅛ 5⅝	11⅞-12⅛	15-15½	11⅛ 11⅝	11½-11¾	6⅛-6¼	9¾-10¼
Three months	9¼-9⅜	11⅜-11⅝	11⅛-11⅜	6⅛-6¼	3⅜-3½	5⅞-6	12⅛-12⅜	15¼-16	11½-12	11¾-12	6⅜-6½	10⅝-11⅛
Six months	9⅝-9¾	11¹³⁄₁₆-12¹⁄₁₆	11⅞-12⅛	6⅜-6½	4⅛-4⅜	6⅛-6⅜	13½-13¾	16⅛-16⅝	11⅞-12⅜	11¾-12	6⅝-6⅞	10⅞-11⅜
One year	10⅛-10¼	12¾-13	12⅝-12¾	6¾-6⅞	4⅜-4⅝	6½-6⅝	14⅛-14⅜	16⅞-17⅜	12½-13	11⅞-12⅛	6⅝-6⅞	11¼-11¾

Asian $ (closing rates in Singapore): Short-term 9¼-9⅜ per cent; seven days 10¼-10⅜ per cent; one month 10⁹⁄₁₆-10¹¹⁄₁₆ per cent; three months 11⁷⁄₁₆-11¹¹⁄₁₆ per cent; six months 12¼-12⅜ per cent; one year 12⅝-12⅞ per cent. Long-term Eurodollars two years 13¼-13⅜ per cent; three years 13⅝-13⅞ per cent; four years 13⅞-14⅛ per cent; five years 14-14⅜ per cent nominal closing rates. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

MONEY MARKETS

London rates easier

Interest rates had an easier tone on the London money market yesterday reflecting the improvement of the U.S. bond market on Friday and suggestions that an upward limit may have been placed on U.S. interest rates by recent events. The problems of Continental Illinois National Bank and the South American debtor nations have quelled earlier speculation about a tightening of Federal Reserve monetary policy and rumours of a rise in the U.S. discount rate. While following the low level of Federal funds in New York on Friday, plus a decline in Eurodollar interest rates, London rates also softened.

UK clearing banks' base lending rate 9-9¼ per cent (since May 10 and 11)

The overnight rate for Federal funds was also low yesterday, although above Friday's lowest level of 8½ per cent. The Federal Reserve drained money from the banking system before the week end at 9½ per cent, also entered the market to absorb surplus funds yesterday when Federal funds were trading at 9⅛ per cent.

In the sterling interbank market three-month money fell to 9⁵⁄₁₆ per cent from 9⁷⁄₁₆ per cent, while discount houses buying rates for three-month eligible bank bills eased to 8¹⁵⁄₁₆ per cent from 8¹⁵⁄₁₆ per cent. Sterling's strength against the dollar on the foreign exchanges helped confidence, and underpinned recent hopes that a further rise in clearing bank base rates can be avoided.

The were some very large factors influencing the London money market yesterday, but these tended to cancel out each other, leaving credit conditions roughly in balance. The Bank of England at first forecast a flat day, but changed this to a shortage of £50m

MONEY RATES

May 21	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5 -5.6	12	½-1½	5¾-5⅞	5.78125	16½-16⅞	8.95	11⅜-11⅝
One month	5.75-5.90	11¹⁵⁄₁₆-12¹⁄₁₆	3⁵⁄₁₆-3⁷⁄₁₆	5⅞-6	6.15625	16½-16⅞	11½-11¾	11¾-12
Two months	5.90-6.05	12-12⅛	—	—	—	—	—	12⅛-12⅜
Three months	6.05-6.20	12¹⁄₁₆-12³⁄₁₆	3¾-3⅞	6-6⅛	6.28125	16¾-17	11⅝-11⅞	12¼-12½
Six months	6.20-6.35	12¼-12⅝	—	6⅛-6¼	—	—	11¾-12	12½-12¾
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11¾	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

May 21 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	6-11	7¼-7⅛	6¼-8	6-9	—	—	—	—	—
2 days notice	—	—	7⅜-7⅞	—	—	—	—	—	—	—
7 days or 7days notice	—	7-8¼	8⅛-8¼	7⅝-7¾	7¼	—	—	—	—	—
One month	8¹⁵⁄₁₆ 8⅛	8½-8½	8½	8¾	8⅛-8⅛	8⅝	8½	8⅝	8½	9¼
Two months	9 8⅞	8⅜-9⅛	8⅞	9⅛	8¾-9⅞	8⅞-8⅞	8⅛-8⅛	8⅞-8⅞	8¾-8½	9⁵⁄₁₆
Three months	9¼-9⅛	9¼ 9⅜	9¼	9½	9	8⅞-8⅞	8⅞	8¹⁵⁄₁₆	8⅞	9⁷⁄₁₆
Six months	9⅞ 9⅛	9⅝ 9⅞	9⅝	—	—	—	—	9⁵⁄₁₆-9⅛	9⁵⁄₁₆-9⅛	10
Nine months	9⅝ 9⅝	9⅞-10⅛	9¾	—	—	—	—	—	—	—
One year	9¹³⁄₁₆-9¹⁵⁄₁₆	10⅛-10⁵⁄₁₆	10¹⁄₁₆	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅝-9	—	8⅞	10.4-10.5	8¹⁵⁄₁₆-9⅛	8¹⁵⁄₁₆-9
Two months	9¼-9⅜	—	9	10.85-11.05	9⅜-9⅝	9-9⅛
Three months	9⅞-9⅛	—	9¼	11.25-11.35	9⅝-9⅞	9⅛-9⅜
Six months	9⅞-9½	—	9¾	11.55-12.85	10⅛-10⅜	9⅝-9½
Nine months	10⅛-10⅛	—	10	12.1-12.5	—	—
One year	10⅝-10⅛	—	10¼	12.5-12.7	10⅝-10⅞	10⅛-10¼
Two years	—	10⅝	—	—	—	—
Three years	—	11⅛	—	—	—	—
Four years	—	11⅜	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate of interest period April 4 to May 1 1984 (inclusive): 8.934 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9 per cent from May, 1984. London and Scottish Clearing Bank Rates for lending 9-9¼ per cent. London Deposit Rate for sums at seven days' notice 5¾-6 per cent. Treasury Bills: Average tender rate of discount 8.8564 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9¼ per cent; one-three months 9¼ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10¼ per cent. Under £100,000 9 per cent from May 10. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	12
Broker loan rate	10¾-11½
Fed funds	9⅞
Fed funds at intervention	9⅞

Treasury Bills

One month	8.40
Two month	9.15
Three month	9.67
Six month	10.22
One year	10.56

Treasury Bonds

Two year	98⁷⁄₃₂
Three year	99⁷⁄₁₆
Four year	97¼
Five year	95⁷⁄₁₆
Seven year	95²⁴⁄₃₂
10 year	98½
30 year	98¹¹⁄₁₆

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. May 21)

3 months U.S. dollars	
bid 11 1/2	offer 11 5/8

6 months U.S. dollars	
bid 12 1/8	offer 12 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Gilts firm

Gilt prices were firmer in the London International Financial Futures Exchange yesterday. Values finished close to the day's highs in line with a firmer cash market as dealers reacted to a firmer tone in the U.S. bond market. This followed suggestions that the U.S. Federal authorities may refrain from tightening credit policies at today's FOMC meeting. There had previously been fears that the U.S. discount rate would be increased from its current level of 9 per cent.

The market based its judgement on the possibly damaging implications of higher U.S. interest rates on third world debtor nations and also the recent support operations given to Continental Illinois. Against this background bond prices improved and Euro-dollar cash rates took a softer turn.

The June gilt price opened at 104-06 up from 103-27 and touched a best level of 104-08 before closing at 104-06.

Both gilt prices and short sterling values appreciated as a result of sterling's slightly firmer tone and easier interest rates in London. The June short sterling contract opened at 90.77 up from 90.67 and reached a best level of 90.83 before closing at 90.80.

The June Euro-dollar price rose to a high of 88.45 from an opening level of 88.36 and closed at 88.44 up from 88.18 on Friday.

The FT-SE 100 futures market opened unchanged but improved in line with a firmer note in the cash equities market. The June price opened at 108.15 and traded between a high of 108.70 and a low of 108.05 before finishing at 108.55 compared with Friday's close of 108.15.

£ in New York (latest)

May 21		Prev. close
Spot	$1.3920-3930	$1.3875-3885
1 month	0.25-0.28 dis	0.24-0.26 dis
3 months	0.81-0.86 dis	0.84-0.87 dis
12 months	3.56-3.63 dis	3.56-3.70 dis

£ forward rates are quoted in U.S. cents discount.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	88.44	88.45	88.31	88.18
Sept	87.84	87.85	87.67	[illegible]
Dec	87.16	87.17	87.03	[illegible]
March	86.79	86.79	86.67	[illegible]
June	86.46	86.46	86.35	86.21

Volume 5,703 (8,182)
Previous day's open int. 14,322 (14,263)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
June	90.80	90.83	90.77	90.67
Sept	90.21	90.21	90.19	90.08
Dec	89.89	89.89	89.82	89.57
March*	89.24	89.27	89.24	89.13
June*	88.84	—	—	88.74

Volume 1,669 (1,585)
Previous day's open int. 8,589 (8,639)
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	104-06	104-08	103-31	103-27
Sept	103-15	103-19	103-12	103-07
Dec	103-03	—	—	102-22
March	102-20	—	—	102-10
June	102-05	—	—	101-31

Volume 1,362 (3,748)
Previous day's open int. 7,320 (6,823)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 24 to 36 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.3925	1.3955	1.3940	1.3885
Sept	1.4025	—	—	1.3985
Dec	1.4117	—	—	1.4080

Volume 19 (61)
Previous day's open int. 2,817 (2,819)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	108.55	108.70	108.05	108.15
Sept	108.30	108.30	107.90	107.85
Dec	108.80	108.70	108.00	108.50

Volume 359 (616)
Previous day's open int. 674 (519)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Volume 73 (88)
Previous day's open int. 663 (658)

SWISS FRANCS SwFr125,000 $ per SwFr

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Volume 400 (41)
Previous day's open int. 1,387 (1,387)

STERLING (IMM) Se per £

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Volume Nil (7)
Previous day's open int. 288 (291)

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 21, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.07
Algeria	Dinar	(A) 6.9040
Andorra	French Franc	11.79
	Spanish Peseta	214.15
Angola	Kwanza	(CM) 43.7625
Antigua	E. Caribbean $	3.75
Argentina	New Peso	57.51
Australia	Australian $	1.5520
Austria	Schilling	26.955
Azores	Portugu'se Escudo	195.50
Bahamas	Ba. Dollar	1.3915
Bahrain	Dinar	0.526
Balearic Isles	Spa. Peseta	214.15
Bangladesh	Taka	34.80
Barbados	Barbados $	2.7830
Belgium	B. Franc	(cm) 78.00 / (fn) 79.00
Belize	B.$	2.7830
Benin	C.F.A. Franc	589.5
Bermuda	Bda $	1.3915
Bhutan	Indian Rupee	15.33
Bolivia	Bolivian Peso	(O) 2783.0
Botswana	Pula	1.6450
Brazil	Cruzeiro ‡‡	2,102.8
Brit. Virgin Isles	U.S. $	1.3915
Brunei	Brunei $	2.9460
Bulgaria	Lev	1.4120
Burma	Kyat	11.60
Burundi	Burundi Franc	163.265
Cameroon	C.F.A. Franc	589.5
Canada	Canadian $	1.8010
Canary Islands	Spanish Peseta	214.15
Cape Verde Is	Cape V. Escudo	111.40
Cayman Is'ands	Cay. Is. $	1.1595
Cent.Afr. Republic	C.F.A. Franc	589.5
Chad	C.F.A. Franc	589.5
Chile	Chilean Peso	124.40
China	Renminbi Yuan	3.0400
Colombia	Col. Peso	(F) 135.22
Comoro Islands	C.F.A. Franc	589.5
Congo (Brazaville)	C.F.A. Franc	589.5
Costa Rica	Colon	(U) 60.40
Cuba	Cuban Peso	1.2210
Cyprus	Cyprus £	0.791
Czechoslovakia	Koruna	(com) 9.40 / n/c 16.36 / 15.84(9)
Denmark	Danish Kroner	14.0475
Djibouti	Djibouti Franc	240 (sg)
Dominica	E. Caribbean £	3.75
Dominican Repub'	Dominican Peso	(O) 1.3915 / (7) 4.1745
Ecuador	Sucre	(O) 85.83 / (F) 195.10
Egypt	Egyptian £	(U) 1.1538 / 1.6710(8)
Equatorial Guinea	Ekuele	428.3
Ethiopia	Ethiopian Birr	(P) 2.8600
Falkland Islands	Falkland Is. £	1.0
Faroe Islands	Danish Kroner	14.0475
Fiji Islands	Fiji $	1.4705
Finland	Markka	8.09625
France	French Franc	11.79
French C'ty in Af	C.F.A. Franc	589.5
French Guiana	Local Franc	11.79
French Pacific Is.	C.F.P. Franc	210 (sg)
Gabon	C.F.A. Franc	589.5
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.84
Germany (West)	Deutsche Mark	3.84
Ghana	Cedi	48.79
Gibraltar	Gibraltar £	1.0
Greece	Drachma	151.60
Greenland	Danish Kroner	14.0475
Grenada	E. Caribbean $	3.75
Guadaloupe	Local Franc	11.79
Guam	U.S. $	1.3915
Guatemala	Quetzal	1.3915
Guinea	Syli	33.00
Guinea-Bissau	Peso	112.30
Guyana	Guyanese $	5.2275
Haiti	Gourde	6.9575
Honduras	Lempira	2.80
Hong Kong	H.K. $	10.8975
Hungary	Forint	64.54‡‡
Iceland	I. Krona	41.4355
India	Ind. Rupee	15.33
Indonesia	Rupiah	1,403.65
Iran	Rial	123.20(sg)
Iraq	Iraqi Dinar	0.4338
Irish Republic	Irish £	1.2480
Israel	Shekel	269.5
Italy	Lira	2,363.75
Ivory Coast	C.F.A. Franc	589.5
Jamaica	Jamaica Dollar	5.51
Japan	Yen	324.5
Jordan	Jordanian Dinar	0.526
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	19.625
Kiribati	Australian $	1.5520
Korea (Nth)	Won	1.6555(‖)
Korea (Sth)	Won	1,111.71
Kuwait	Kuwaiti Dinar	0.4117
Laos	New Kip	48.7025
Lebanon	Lebanese £	8.0490
Lesotho	Maluti	1.7815
Liberia	Liberian $	1.3915
Libya	Libyan Dinar	0.4119
Liechenstein	Swiss Franc	3.1625
Luxembourg	Lux Franc	78.00
Macao	Pataca	11.50
Madeira	Portug'se Escudo	195.50
Malagasy Republic	MG Franc	734.85
Malawi	Kwacha	1.90
Malaysia	Ringgit	3.2310
Maldive Islands	Rufiyaa	10.5060
Mali Republic	Mali Franc	1,178.0
Malta	Maltese £	0.6275
Martinique	Local Franc	11.79
Mauritania	Ouguiya	79.40
Mauritius	M. Rupee	18.375
Mexico	Mexican Peso	(F) 256.50 / (C) 285.05
Miquelon	Local Franc	11.79
Monaco	French Franc	11.79
Mongolia	Tugrik	4.75 (‖)
Montserrat	E. Caribbean $	3.75
Morocco	Dirham	11.75(sg)
Mozambique	Metical	(A) 58.60
Namibia	S.A. Rand	1.7815
Nauru	Australian Dollar	1.5520
Nepal	Nepalese Rupee	22.40
Netherlands	Guilder	4.32
Netherland Antilles	Antilian Guilder	2.4908
New Zealand	N.Z. Dollar	2.1490
Nicaragua	Cordoba	13.95
Niger Republic	C.F.A. Franc	589.5
Nigeria	Naira	1.047559(sg)
Norway	Norwegian Krone	10.8975
Oman Sul'ate of	Rial Omani	0.4825
Pakistan	Pakistan Rupee	19.14
Panama	Balboa	1.3915
Papua N. Guinea	Kina	1.2220
Paraguay	Guarani	(O) 175.15 / (F) 223.40
Peru	Sol	exc(A) 4,232.96
Philippines	Philippine Peso	19.21
Pitcairn Islands	£ Sterling	—
	New Zealand £	2.1490
Poland	Zloty	154.13
Portugal	Portugu'se Escudo	195.50
Puerto Rico	U.S. $	1.3915
Qatar	Qatari Ryal	5.0760
Reunion Island	French Franc	11.79
Romania	Leu	(Cm) 6.55 / (N/C) 19.72
Rwanda	Rwanda Franc	137.30
St. Christoper	E. Caribbean $	3.75
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean	3.75
St. Pierre	Local Franc	11.79
St. Vincent	E. Caribbean $	3.75
Salvador El	Colon	3.6486
Samoa American	U.S. $	1.3915
San Marino	Italian Lira	2,363.75
Sao Tome & Prin	Dobra	60.45
Saudi Arabia	Saudi Ryal	4.9065
Senegal	C.F.A. Franc	589.5
Seychelles	S. Rupee	9.54(sg)
Sierra Leone	Leone	(O) 3.45
Singapore	Singapore $	2.9460
Solomon Islands	Solomon Is. $	1.7815
Somali Republic	Somali Shilling	24.45
South Africa	Rand	1.7815
Spain	Peseta	214.15
Spanish ports in North Africa	Peseta	214.15
Sri Lanka	S. L. Rupee	34.80
Sudan Republic	Sudan £ (u)	1.8305
Surinam	S. Guilder	2.4908
Swaziland	Lilangeni	1.7815
Sweden	S. Krona	11.26
Switzerland	Swiss Franc	3.1625
Syria	Syrian £	(A) (T) 10.0 / (CM) 6.20
Taiwan	New Taiwan $	56.10
Tanzania	Tan. Shilling	17.425
Thailand	Baht	31.88
Togo Republic	C.F.A. Franc	589.5
Tonga Islands	Pa'anga	1.5520
Trinidad	Trinidad & Tob $	3.3395
Tunisia	Tunisian Dinar	1.017 (sg)
Turkey	Turkish Lira	490.97
Turks & Caicos	U.S. $	1.3915
Tuvalu	Australian $	1.5520
Uganda	Uganda Shilling	408.50 / 432.50 (5)
United States	U.S. Dollar	1.3915
Uruguay	Uruguay Peso	77.95
Utd. Arab Emirates	U.A.E. Dirham	5.1185
U.S.S.R.	Rouble	1.1160
Upper Volta	C.F.A. Franc	589.5
Vanuatu	Vatu	127.7
Vatican	Italian Lira	2,363.75
Venezuela	Bolivar	(4) 5.99 / (5) 10.45 / (6) 21.43
Vietnam	Dong	(O) 13.85
Virgin Island U.S.	U.S. Dollar	1.3915
Western Samoa	Samoan Tala	(A) 2.3860
Yemen (Nth)	Ryal	7.29 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.4770
Yugoslavia	New Y Dinar	191.4142
Zaire Republic	Zaire	48.9767
Zambia	Kwacha	2.36
Zimbabwe	Zimbabwe	1.6395

* Rate is the transfer market (controlled). ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (‖) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicant. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad. (9) Banknote rate.

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 21.

Eurodollar bond prices up after small U.S. rally

BY MARY ANN SIEGHART IN LONDON

THE EURODOLLAR bond market recorded its first price gains for a month yesterday on the back of a small rally in the New York market. Prices of a few issues rose by as much as a point, but the average increase was ½-⅛ point.

Dealers attributed most of the gains to professional short-covering. Retail investor interest was apparently limited.

However, the technical rally allowed a small new issue window to be opened. Export-Import Bank of Japan launched the first dollar fixed-rate bond for nearly two weeks. Guaranteed by Japan, the $75m issue has a 13⅛ per cent coupon at par and a life of seven years. It is led by Morgan Guaranty and Long Term Credit Bank of Japan and is understood to involve an interest rate swap into floating rate dollars.

Bonds guaranteed by Japan are usually extremely popular with investors and this proved no exception. It traded at a 1⅜ per cent discount, within its selling concession.

Credit Lyonnais, meanwhile, is raising $300m through a floating rate note, $200m of which is directed at European investors and the balance at the Middle East.

The bond has a 12-year maturity with a put option for investors after eight years and pays a coupon of ¼ per cent over the mean of the six-month London interbank bid and offered rates at par. Led by Credit Lyonnais itself, the bond traded at a 0.32 per cent discount, comfortably within its 0.625 per cent fees.

SHF Bank bond average		
May 21 98.995		Previous 98.989
High 100.009	1984	Low 98.056

The Samsung Group, the telecommunications and construction company, became the first Korean private sector borrower to tap the Eurobond market yesterday, with a $30m floating rate note paying ½ per cent over six-month Libor. Led by Continental Illinois, the note has a 10-year final maturity with put options at years four, six and eight.

The European Economic Community launched its long-awaited Ecu 50m bond designed for sale to Swiss investors. It is led by SBC International, Credit Suisse First Boston and UBS Securities and has an 11¼ per cent coupon at par for seven years.

SBCI hopes to place over half the issue in Switzerland – whose investors are not renowned for their enthusiasm for Ecu bonds – and says that the bonds are being sold at around their 1¼ per cent selling concession.

The European Investment Bank is raising Fl 300m in the largest ever international guilder bond issue. The 10-year bond has an average life of eight years and an indicated 8¾ per cent coupon. Lead managers are Amro Bank and ABN Bank.

Prices in Swiss and German secondary markets closed unchanged in quiet trading.

Banks await mandate on Jordanian credit

BY MARGARET HUGHES IN LONDON

NATIONAL Bank of Kuwait and Arab Bank are today expected to be awarded the mandate for the $200m syndicated credit sought by the Kingdom of Jordan.

The credit will be in two tranches. One, for $150m, will be based on the London inter-bank offered rate. The other will be raised in Kuwaiti dinars for KD 15m ($50.7m). Both tranches will have a maturity of seven years, with the Libor tranche probably having the same ½ per cent margin as the $225m credit arranged for Jordan last year by Arab Bank.

A lead management group of five or six banks is expected to be formed including other Arab banks such as Gulf International Bank as well as a European and an American bank.

This is the first loan to be raised by the kingdom for over a year, although credits have been raised by various state-owned companies.

David Dodwell adds from Hong Kong: Fifteen banks have been invited to compete for the $220m loan which Thailand hopes to raise. Thailand is expected to get the best terms of any Asian borrower so far this year, probably ⅜ per cent over Libor for a 10-year maturity.

Meanwhile, the mandate for a $75m multi-currency revolving credit facility which Iceland is seeking has been awarded to Morgan Guaranty and Skandinaviska Enskilda Banken.

FINANCIAL TIMES SURVEY

Finland

The economy is again expanding strongly and the present four-party coalition is showing a surprising durability. A steadfast foreign policy of close ties with the neighbouring Soviet Union continues to underpin Finland's stability

Mauno Koivisto, Finland's President. Mr Koivisto's election in 1982 was a landslide victory and his popularity seems undiminished, aided in part by the fact that he has been a banker, not a career politician, who has made almost a virture of stating unpleasant political and economic facts

CONTENTS

Smooth transition of political life

A MOOD of optimism and confidence pervades Finland. The economy, which for many years has outpaced most other industrial countries, is again expanding strongly after a few years of slower growth.

The potentially uneasy transition from the long era in which Finland's political life was overwhelmingly dominated by President Urho Kekkonen has been achieved more smoothly than most dared hope.

By Kevin Done
Nordic Correspondent

President Mauno Koivisto, who took over the presidency early in 1982 after a landslide victory, has ensured continuity in Finland's foreign policy and appears to have quickly established stable relations with the Soviet Union despite the rapid change of leaders in Moscow.

The present four-party coalition Government, led by Mr Kalevi Sorsa, the Social Democratic Prime Minister, is also showing a surprising durability. For much of the post-war period Finnish governments managed to last little more than a year. But Mr Sorsa has raised the question of a reshuffle following the local elections in the autumn.

The local elections will be the first test of opinion since the general election in March last year, in which the voters appeared to express a general dissatisfaction with politicians and the conventional parties. The element of dissatisfaction proved a boon to the Finnish Rural Party, led by Mr Pekka Vennamo, for the rise in support for this protest party proved strong enough to take it into the Government coalition.

The Rural Party was expected to be a factor of considerable instability in the Government, but its inclusion has in practice removed one of the administration's most intemperate critics from the ranks of the opposition.

Mr Sorsa's talk of a reshuffle has been founded on a wish to give the Government a broader base. Under the Finnish constitution a vote by just one-third of the members of parliament is sufficient to block most legislation, postponing its passage beyond the next election.

Such a system compels the parties towards consensus, but it also encourages the formation of a Government as broadly-based as possible to avoid set-backs in parliament.

Mr Sorsa's undoubted political skills will be put to a difficult test, however, if he seeks to widen the Government through the inclusion of the Finnish People's Democratic League, which comprises the Communists and their left-wing Socialist allies.

At the last election the non-Socialist parties achieved a majority in Parliament. This is reflected in the current shape of the Government, with eight Social Democratic Ministers and nine from the non-Socialist parties, the Centre Party, the Rural Party and Swedish People's Party.

That balance will not be given up easily by Mr Paavo Väyrynen, Foreign Minister and leader of the Centre Party, who has been fighting hard to arrest the decline in the party's fortunes which began in the early 1970s.

As big an obstacle to a re-shaping of the Government comes from the Communists, however. More often than not they have been included in the Government since 1966, but for most of this period they have been driven by internal splits.

The bitter divisions have cost them a heavy fall in electoral support, with the League taking only 13.4 per cent of the vote in 1983 compared with 17.9 per cent in 1979 and an earlier peak of 23 per cent.

Mr Sorsa finally lost patience with the Communists' constant sniping against Government policies and forced them out shortly before the election at the end of 1982. The Communists now face a possibly decisive party congress at the end of the month, when the so-called majority line of "Euro-communists" are expected to try to vote down the minority "Stalinist" faction and the party chairman, Mr Jouko Kajonoja.

The majority line, which does appear to outnumber the Stalinist faction, has traditionally been more in favour of serving in the Government, but there is no guarantee that it will win the day. A recent visit to Finland by a Soviet Communist party delegation, led by the Leningrad party leader Mr Lev Zhaikov, made no secret of its opposition to any split by the Finnish Communists and of its support for Mr Kajonoja.

Soviet attitudes will inevitably weigh heavily with delegates to the party congress next weekend, and it is unlikely that the Finnish Communists' self-inflicted wounds will heal quickly.

The element of dissatisfaction in the Finnish electorate—despite the general smooth running of the country's affairs—appears still to be a significant factor, with the latest opinion polls showing a surge of support towards the "Greens" protest movement. The Greens won two seats for the first time at the last election and a recent opinion poll showed that they had obtained increased support to fully 6.9 per cent of the electorate from 1.5 per cent at the 1983 election.

Overall, the Goverment power remains in the hands of the same Centre-Left coalition that has dominated Finnish politics for most of the time since 1937, but the balance of forces within the coalition has shifted. The Centre, formerly the Agrarian League and the party of former President Kekkonen, has lost ground as many of its traditional voters have moved to the cities.

Replacing it are the Social Democrats, who now for the first time hold both the presidency—once elected the President is supposed to give up party affiliations — and the premiership in the Government.

Detachment

In the tradition of Finnish presidents, Mr Mauno Koivisto appears to be maintaining a certain lofty detachment, but he does seem to be trying carefully to widen the foreign affairs debate in a way not followed by his predecessor.

More information is said to be flowing more quickly to both the Government's and Parliament's foreign affairs committes—control of foreign policy is firmly in the hands of the President under the Finnish constitution — and both these bodies are being allowed more influence.

A steadfast post-war foreign policy based on a belief that the only way to attain security lay in the establishment of trusting relations with its giant superpower neighbour has enabled Finland to make the most—and even benefit—from its sensitive geopolitical position on the Soviet Union's north-western frontiers.

Finland's current stability and independence, which less than 40 years ago would have seemed almost unattainable, owes much too a strong instinct for self-preservation.

"Nobody else will blow on our porridge spoon for us," former President Kekkonen once wrote. "If we fail to do so ourselves we can end up with badly blistered mouths."

Good relations with the Soviet Union have led to increasing trade with the east. This has provided a valuable prop to the Finnish economy, especially during the recent years of recession in its most important western markets. Finland conducts its trade with the Soviets on a basis of balance. Its imports from the Soviet Union consist of up to 85 per cent of energy, mainly crude oil.

While the economies of most western countries sagged under the heavy burden of the two oil price shocks in the 1970s, Finland was able to work its way out of the crisis, massively increasing its exports to the Soviet Union—mainly of ships and other engineering products —to pay for the much more expensive energy oil imports.

The Soviet Union is Finland's largest trading partner, taking more than 26 per cent of its exports last year. Negotiations began this month on the new five-year bilateral trade agreement for the years from 1986 to 1990, but some benefits of the expected pact are already appearing in the shape of a batch of much-needed orders for Finnish shipyards.

With oil prices falling in real terms Finland's current trade with the east is stagnating, however, and it is again looking for opportunities for growth in western markets. "Our western exports will grow by about 10 per cent in volume this year," says Mr Timo Relander, managing director of the Finnish Industry Confederation. "It's a surprise for us too."

The confidence of the business community which began to return last year is still surging ahead and most forecasts of economic growth suggest an increase of as much as 5 per cent in gross national product.

These forecasts may have to be trimmed a little in the wake of this month's second supplementary budget for 1984 in which the Government has acted to dampen growth because of its fears of accelerating inflation.

It has tightened fiscal policy further, in the hope too that it can strengthen the state's finances to give it more room to stimulate the economy during the next recession. The Governmen now expects a rise of 4 to 4.5 per cent in gross domestic product this year, still one of the highest growth rates in the OECD.

Priority

With the recovery so firmly based—industrial output jumped by 6 per cent in the first two months—economic policy is now directed towards the first priority of bringing down Finland's inflation rate towards the level of its major trading partners in the west. The Government is confident that its latest moves will enable it to reach its target of an inflation rate of 6 per cent by the end of the year.

Its hopes were boosted by the national wage agreement reached in March. This will run for two years and has one of the lowest basic increases agreed over the past 20 years. Wage drift is still a threat, but the national pay pact is a good basis for curbing inflation further in 1985.

The national wage deal also showed the continuing ability of the trades unions and the employers to influence social welfare development, thus usurping the role of the political parties. The national wage pact was a complex deal which also included a far-reaching reform of Finland's out-dated unemployment benefit system as well as a first breakthrough for the unions in achieving shorter working hours.

The Finns believe that stable relations with Moscow are of greatest importance

Continuity based on caution

Foreign policy

KEVIN DONE

THE FINNS are deliberately cautious. Since 1945 they have founded their foreign policy and security measures on the firm belief that stable relations with the Soviet Union are of paramount importance.

That was the lesson Finland learned in its first two decades of independence after 1917, which led it to waging two wars of its own against the Soviet Union within the general conflict of the 1939-45 War.

Modern Finnish foreign policy began to take shape during the desperate days of the 1940s and nothing that has happened since has caused successive leaderships to wish to change direction.

One of the first symbolic acts of the new President, Mauno Koivisto, was to travel to Moscow to renew the country's Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union. Drawn up in 1948, the Treaty still had several years to run, but the renewal showed President Koivisto's commitment to pursue the same foreign policy line as his predecessors, Presidents Kekkonen and Paasikivi.

Under the Finnish constitution the conduct of foreign policy is the personal responsibility of the President, not the Prime Minister. Finnish governments have been notoriously unstable, often lasting little more than a year. The pattern has perhaps begun to change and several leaders of the present four-party coalition have expressed a determination to serve the full four-year term to the next election.

The guarantee of continuity in foreign policy is placed in the presidency, however, with a presidential election scheduled only every six years.

Having had to establish personal relations with three Soviet leaders during only two years in office, President Koivisto has been hard-pressed to ensure this sense of continuity. But the promptness with which he travelled last month to Moscow for talks with the new Soviet President Konstantin Chernenko underlines the importance attached to close contacts by both countries.

Finland today is a small, affluent, Nordic democracy with a free social and economic system, but it acts from the deep-seated belief that the freedom it enjoys to develop its Western contacts derives directly from its good relations with its superpower neighbour.

It is a paradox often repeated by the former President, Urho Kekkonen: "The greater the trust that prevails between Finland and the Soviet Union, the more room for manoeuvre we have in our dealings with other countries."

It is on that basis that it has developed its own brand of neutrality—following the withdrawal of the Soviet naval base at Porkkala, near Helsinki, in the mid-1950s—and has expressed more explicitly its role as a Nordic country and a member of the Nordic Council.

Finland's special relations with the Soviet Union in the east are balanced by the Nato membership of Norway and Denmark in the west. This membership carries certain self-imposed restrictions, however.

Norway, for instance, forbids the location of foreign bases and nuclear weapons on its territory in peacetime, and it keeps Nato manoeuvres well away from its frontier with the Soviet Union.

Sweden, the strongest of the Nordic countries with a high priority on its military capacity to defend its traditional neutrality, acts as a buffer for the Soviet Union between the Nato and Warsaw Pact alliances.

Sweden's buffer role is seen from Helsinki as a vital support for its own neutrality, and it has been with growing uneasiness that it has watched the deterioration in relations between the Soviet Union and Sweden, its closest neighbours and most important trading partners.

Hunt

The Swedes' repeated hunts in their coastal waters for underwater intruders and the blame placed by Stockholm for earlier submarine intrusions on the Soviet Union has brought relations between Finland's two neighbours to a new low.

The Finns are usually diplomatic about Sweden's submarine-hunting activities, but they do raise questions in private about "the reliability of their observations." Finland itself admits to only one recent submarine incident. It was in the summer of 1982, when a Finnish patrol boat chased away a submarine detected in territorial waters close to the Aland islands.

"We are in quite good control of the channels into our archipelago," a Finnish defence official has said.

Finland has in any event a much lower defence profile than its Nordic neighbour. It still follows scrupulously the terms of the 1947 Paris Peace Treaty, which limits some of the weapons it is allowed to purchase: It cannot have submarines, for instance, and it can have no more than 60 front-line aircraft.

Defence spending at around 1.7 per cent of gross national product is one of the lowest in Europe, and Finland tries to balance carefully its purchases between East and West. Its front-line air defence consists of both Russian MiG 21s and the ageing Swedish Draken fighters, for instance. It chose the British Hawk as a trainer aircraft.

Finland has been modernising its radar and anti-aircraft defences since the late 1970s. "We are trying to make the use of Finnish airspace as costly as possible," says the defence official.

The very fact, however, that deployment of Cruise missiles on the West should raise in public debate in the Nordic region the question of the Soviet Union's seeking military consultations with Finland—a right it has under the 1948 Treaty—underlines the sensitivity of Finland's political and defensive position. However low its profile, that fact can never be disguised.

Growth plans revised upwards

FINLAND'S ECONOMY has grown considerably faster than the average for other industrialised countries in recent years, tempting the description of Finland as the Japan of Europe. Over the five years from 1977 to 1982 the economy (GDP) grew at an annual average rate of 4 per cent compared with only 1.6 per cent for the European OECD countries.

Inevitably, growth slowed in Finland too during the past world recession, but economic stimulation measures from the Government lessened the impact of the decline in the world economy. At the same time Finland was able to compensate for falling demand from Western markets through the substantial growth of its bilateral trade with the Soviet Union.

Today, with exports to Western markets booming, the economy is again taking off faster than any expected even as late as last autumn. Forecasts are constantly being revised upwards and the country's leading bank, Kansallis-Osake-Pankki (KOP), now expects the economy to grow by as much as 5 per cent this year and at least 4 per cent in 1985. The bank's confidence is bolstered by the recent two-year national wage agreement, which should ensure labour peace and moderate wage rises through to March 1986.

The recent OECD survey of the Finnish economy found few points to criticise and took issue only with the country's fight against inflation, which it described as "disappointing." Here too, however, Finland now appears to be making progress. In the 12 months to December last year consumer prices rose by 8.3 per cent against 9 per cent in the previous year — putting Finland at a distinct disadvantage against several of its most important trading partners — but the growth in inflation is now slowing.

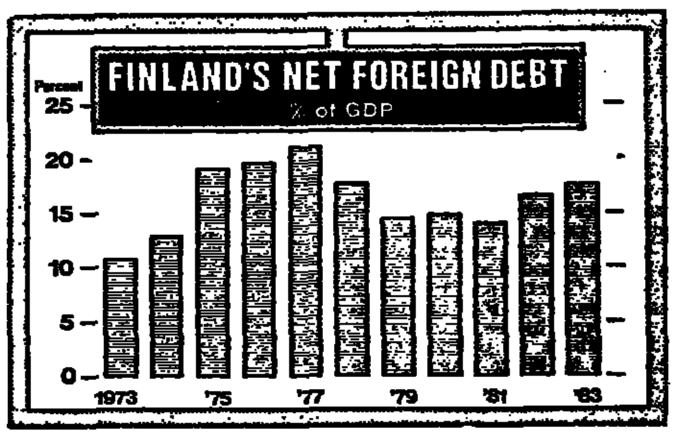
The Government appears confident that its target of cutting inflation to 6 per cent by the end of 1984 will be achieved and Mr Matti Korhonen, chief economist at KOP, suggests the level could fall to 5 per cent during 1985.

With such a strong growth rate in the economy and the consequent improvements in productivity, Finland is in any case better placed to absorb rising costs than some of its competitors such as Sweden.

Historically, the country has often experienced strong export-led cyclical upturns, which then have led to an overheating of the economy, accelerating inflation and a subsequent weakening of competitiveness. Devaluations have often been resorted to in order to restore international competitiveness, because the process of lowering domestic inflation proved too long.

The last devaluation of the Finnmark — by 10 per cent — was carried out in the autumn of 1982 in response partly to the big Swedish devaluation, and since then the Finnish currency has strengthened considerably. Earlier this spring the Bank of Finland even affected a symbolic mini-revaluation of 1 per cent, partly to show the labour market its determination on the inflation front.

The Government too appears to be taking seriously its responsibilities for dampening inflationary expectations. With the recovery in demand from Western markets clearly in evidence, it changed its policy stance last summer with the introduction of more stringent fiscal policies in the second half of 1983 and in the 1984 budget.



FINLAND IN STATISTICS

	1980	1981	1982	1983	1984*
Gross Domestic Product (Volume increases)	6.0	1.5	2.6	3.3	4.5
Consumer Prices (increase over previous year)	11.6	12.0	9.3	8.4	7.3*
Unemployment	4.7	5.1	5.9	6.1	5.5*
Balance of Trade—Goods (FMK bn)	−5.5	−0.9	−1.7	−1.8	—
Balance of Trade—Services (FMK bn)	+3.9	+4.9	+3.5	+3.5	—
Current Account balance (FMK bn)	−5.2	−1.2	−4.7	−5.3	—

Currency (Finnish markka) \$1=FMK 5.84, £1=FMK 8.10 DM 1=FMK 2.10

Population: 4.8m; Land area: 338,127 sq kms (Britain: 245,000 sq kms); Official languages: Finnish 93.6 per cent, Swedish 6.3 per cent).

Economy

KEVIN DONE

The present four-party coalition led by the Social Democrats aims to cut both the general Government deficit and the current account deficit.

The central Government's indebtedness has grown rapidly, placing an inevitable constraint on the kind of demand management practised in the late 1970s. Compared internationally, the relative size of the debt is still not large, however, and Finland has not fallen into the same traps as its Nordic neighbours in building up a bloated public sector.

The most significant factor bolstering the country's confidence in the fight against inflation is the recent national two-year wage agreement. Both sides of industry appear ready to describe the deal as "satisfactory" and the outcome looks especially positive compared with the relative chaos that has followed this year's wage negotiations in neighbouring Sweden, Finland's most important Western trading partner.

In a complicated package deal for Finland's 1.8m wage and salary earners, the national labour market negotiators agreed the lowest basic wage rises since 1962. The package is based on a general increase of 3.2 per cent plus a low wage grant of 0.4 per cent effective from March 1984, followed by a further 3.6 per cent rise in March 1985.

According to figures from the Finnish Employers Federation, the deal will mean that average earnings for all wage and salary earners will rise by about 8.5 per cent in 1984 and 5.8 per cent in 1985 once wage drift—increases agreed at the local level—and the overhang from earlier agreements are included.

The rises were a little higher than industry had hoped for, but the pill was made easier to swallow by the Government and unions agreeing to a ninefold increase in the maximum fines that can be imposed by the Labour Court for wildcat strikes. For the unions, the package was sweetened by a reduction in working hours from the beginning of 1986 and a reform of the unemployment benefit system from the beginning of next year.

The Finnish employers believe the wage increases are compatible with average inflation rates of 7.3 per cent in 1984 and 5.5 per cent in 1985. This would mean the Government could reach its target of cutting the annual rate of inflation to 6 per cent by the end of 1984 and to perhaps 5 per cent by the end of 1985.

Unemployment too is falling from last year's level of 6.1 per cent helped by vigorous investment and building activity. Finland has in any case succeeded in holding unemployment below the overall OECD and European averages. The Government expects the number of jobs to grow by more than 20,000 in the course of 1984 with an unemployment rate of 5.5 per cent forecast by the end of the year.

After depending virtually exclusively on higher domestic demand to buoy up activity in 1982—achieved through expansionary fiscal and monetary policies at variance with most other European countries—Finland was able to rely more on improved demand for its exports to fuel growth from the second half of 1983.

Exports to the West are expected to grow by at least 10 per cent in volume this year compensating for lower deliveries to the Soviet Union. Total exports could grow by as much as 6 per cent in volume this year, and the Government expects a further rise in exports to the West in 1985.

Tariffs on EEC exports to go

DEVELOPMENT OF the Finnish economy has been marked by a rapid opening to markets in both East and West, moves formalised by the country's membership of the European Free Trade Association (EFTA), its free trade agreement with the European Community and its free trade agreements with the Comecon countries.

This year marks a key phase in the dismantling of tariff barriers with the final removal of all import duties on Finnish goods entering the EEC as from January 1. Finland has agreed to remove the rest of its tariffs on EEC exports from the end of the year.

Its growing participation in international trade has meant that the share of exports in GDP (gross domestic product) has jumped from 15-20 per cent in the 1950s to more than a third in the early 1980s.

More than half of Finnish exports are still large scale mass products including the bulk of forest industry products, most chemicals and base metal products. The remainder are dominated by the engineering sector including special ships, and clothing and textiles. In 1983 the forest industry accounted for just under 38 per cent of Finnish exports, followed by the engineering and metal industry with just under 36 per cent. Chemicals accounted for 12.3 per cent.

Trade

KEVIN DONE

Western Europe in the shape of the EEC and EFTA countries is Finland's main market, taking 54 per cent of the country's exports in 1983. Comecon countries accounted for 28 per cent of Finnish exports, and the Soviet Union alone is Finland's most important trading partner taking fully 26 per cent of its exports last year. Its Western neighbour Sweden is the second-largest of all trading partners.

The bilateral trade with the Soviet Union has been an invaluable prop to the economy boosting the growth of industrial output especially in the recent years of rising oil prices, when Western markets were in serious decline. The share of the Soviet Union in Finland's exports has grown rapidly since the mid-1970s rising to almost 30 per cent in 1982.

The trade exchange with the Soviet Union is dominated by energy imports, with Finland meeting 83 per cent of its crude oil needs from that one source.

Overall, the trade balance showed a deficit of FMK 1.45bn last year, while services provided a surplus of FMK 3.45bn, mostly stemming from transport and other service exports such as project planning, marketing, advertising and telecommunications. The surplus in the visible and invisible trade account of FMK 1bn compared with a surplus of FMK 1.2bn in 1982 and FMK 3.5bn in 1981.

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Profits hit by rates in money market

Banking

HILARY BARNES

A COMPLETE change has taken place in the Finnish banking environment over the past few years, partly because foreign banks were allowed to set up in Finland in 1982, but more especially because the Bank of Finland (the central bank) has pursued a gradual process of de-regulation, involving among other things the establishment for the first time of a properly functioning money market. "In the old, regulated days, anyone could make money. Now you have to earn it," said Mr Ilpo Santala, general manager at Postipankki, the state-owned bank which is Finland's third largest.

Last year the banking scene was also enlivened by the appointment of Mr Jaakko Lassila as chief general manager of Kansallis-Osaka-Pankki (KOP). He brought a new style to KOP and a more forceful approach to domestic banking. "He seems to be doing the same thing as the Bank of Finland, introducing more competition," said one Finnish banker. "But what we are all waiting to see is who will benefit." He noted, with an undeniable touch of *schadenfreude*, that KOP lost market shares (of deposits) last year. KOP's great rival, Union Bank, under the less-flamboyant Mr Mika Tiivola, noted a small market gain.

Mr Lassila made a particularly provocative gesture towards Union Bank in January when he announced a big new share issue. KOP had already made an issue in September, and it was tacitly assumed that the spring would be left open for Union Bank. As it was, Union Bank duly made a major issue and the market has absorbed them both without trouble.

KOP and Union Bank, with parent bank balance sheet totals of just under FM 42bn each at the end of last year, are by far the biggest of the banks, followed by Postipankki, FM 24bn, Bank of Helsinki, FM 7bn, and Oko Bank, the central bank for 370 co-operative banks, and Skopbank, the central bank for 270 savings banks.

The two big banks, however, have suffered a loss of market shares over the past few years, with Postipankki building up business in the corporate sector and the co-operative and savings banks gaining shares of household business.

This trend has probably contributed to Mr Lassila's decision to adopt a more forceful approach. He even appears in person in a television commercial assuring a worried householder that no one is better than KOP at taking care of his problems.

"The commercial banks have concentrated on building up their international business in recent years, but now they have realised that the need to build up their domestic deposit business again," said Mr Matti Liukkonen at Oko Bank.

The banks felt the pressure of the Bank of Finland's tight monetary policies last year, and it has not become any easier this year so far.

The basic (discount) rate was raised from 8½ to 9½ per cent in June last year and the bank's cash reserve deposits with the Bank of Finland were successively increased, rising to 5.6 per cent in May this year.

The interaction between cash deposits and the money market, in which interest rates rose sharply last year, hits the banks where it hurts most, in their profits. KOP, Union Bank, Bank of Helsinki, Oko Bank and Skopbank all saw their operating profits diminish last year (from a very high level in 1982, however).

Only Postipankki — whose involvement in the Post Office Giro system forces it to pursue a conservative liquidity policy and to avoid big positions in the money market — came out ahead, with profits after depreciation rising from FM 259m to FM 412m, putting it exceptionally, ahead of Union Bank's FM 328m and KOP's FM 238m.

Union Bank came out ahead of KOP both because it has a better revenue record and better control of costs.

In step with the rapid industrialisation process in Finnish industry, the Finnish banks are also internationalising fast. Last year was eventful with KOP selling out of Nordic Bank and, in January, opening a wholly-owned subsidiary in London. This year KOP also acquired a major share in Nordfinanz-Bank Zurich, increasing its share at the expense of the other Nordic shareholders, Copenhagen Handelsbank, Svenska Handelsbanken and Den Norske Creditbank, with an option to acquire the investments of the other shareholders at a later stage.

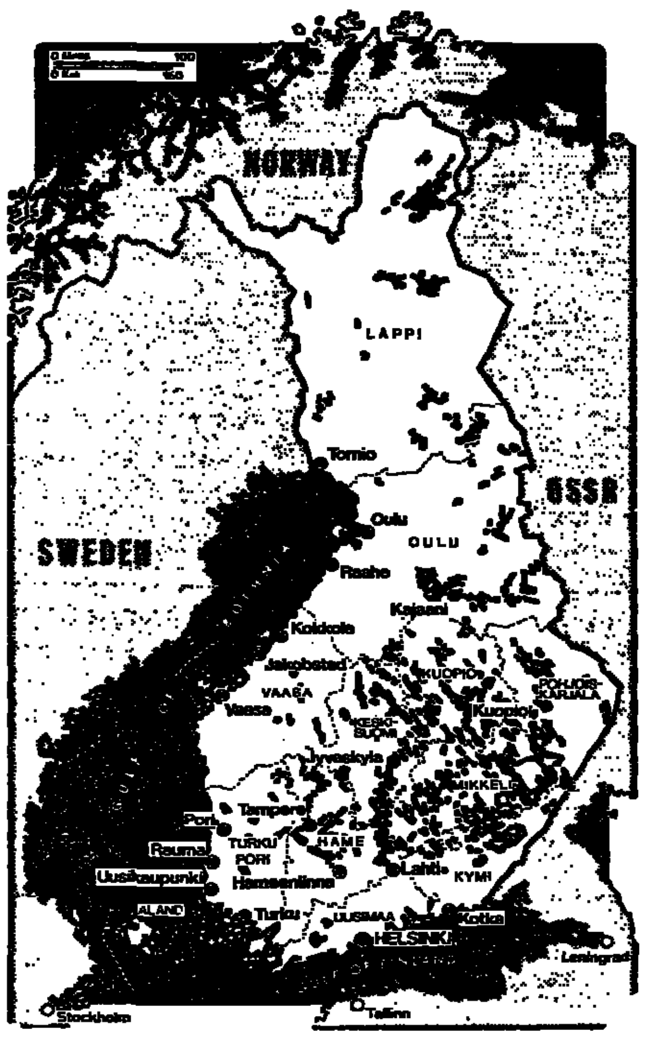
Union Bank has adopted a slightly different approach. It has increased its share in Scandinavian Bank to 23.6 per cent, but it is also setting up a wholly-owned subsidiary in London. "We see these as being complementary," said Mr Bo Harald, of Union Bank's international division. He does not see a break with Scandinavian Bank, even in the longer term.

"Scandinavian Bank gives us a presence in places where we could not otherwise afford to be. It is also a high-powered bank offering services from which we can benefit. But we think we can improve our effectiveness with our own presence in London as well," he said.

Union Bank will also become the first Finnish bank to raise equity capital in the international market later this year. It is authorised to raise up to FM 250m nominal in share capital abroad, but has not yet decided on either the amount, the method or the timing.

Three foreign banks set up in Helsinki in 1982, Citibank, Chase Manhattan and Indo-Suez. Citibank, which had a representative office in Helsinki from 1977, made FM 2.2m profit last year, its first full year, while the other two made small losses. Both are satisfied with the way business is developing, however, and are confident of coming out with a profit this year, ahead of the forecast they made on setting up.

The Finnish banks were not very welcoming when the foreigners first announced their arrival, but have accepted their presence. Although the foreign banks have only a tiny share of the market, they are very competitive in many specialist services in connection with foreign business and have provided a significant new element of competition to the market. "Stimulating" was how Bo Harald summed up his reaction to the foreign presence.



Independent institution

Central Bank

HILARY BARNES

THE BANK OF FINLAND has a very special and influential position in Finnish life. Constitutionally, it is controlled by Parliament and it is not, as many central banks are, controlled directly or indirectly by the Government or the Ministry of Finance.

"It has been said that we are the most independent central bank in the world, and it is because we are under Parliament and not the Finance Ministry that we have this independence," Mr Rolf Kullberg, who was appointed governor last year, observes.

"A unique feature of our system is that the Central Bank does not give credit to the government, except occasional short-term credits.

"The government needs money all the time, but it has to finance it through the market or by foreign borrowing. This acts as a brake on government spending, and although there is quite a large government deficit today, it might have been much larger," Mr Kullberg says.

The bank's controlling board of 19 members is appointed by the parliament and it reflects the party composition of the Parliament.

This supervisory board fixes the basic (discount) interest rate—now 9¼ per cent—and it decides on exchange rate changes, but on a recommendation from the board of management, either accepting or rejecting the management's proposals. The supervisory board cannot initiate policy proposals.

The board of management, chaired by the governor, is also responsible for monetary and credit control policies, although its freedom of action is obviously curtailed by the structure and history of the capital markets.

Its ability to change interest rates, for example, is restricted by the fact that yields on bank deposits are tax-exempt, and as such are the main vehicle for household savings in Finland. But the tax-exempt status has made it necessary to regulate interest rates in this sector.

Over the past five or six years the Bank of Finland has gradually introduced a major reform of capital markets, enabling it, among other things, to increase the flexibility of interest rates, by the creation of a Central Bank call money market. This, together with a system of cash deposits at the Central Bank for the commercial and savings banks, has become the bank's main instrument for regulating credit expansion.

The development of the call money market facilitated a parallel development of a short-term money market based on corporate deposits.

Interest rates in the call money market have varied substantially, but last year peaked at 18 per cent before being brought down to a current level of 16¼ per cent. Since the spring of 1983, the banks have been permitted to pass on 60 per cent of the cost of raising money in the call money market on other lending, where the interest rates are regulated. This has had the effect of adding about a half percentage point to average lending rates for new loans.

In the mid-1970s, when the current balance of payments deficit at one point soared to some eight per cent of GDP, the Bank of Finland adopted an unusual policy approach, based on the premise that a country cannot run a current account deficit if the deficit is not financed, and used its powers to control capital imports to implement the policy, which was successful in eliminating the deficit.

The bank can therefore claim a major share in stabilising the economy at this period, and in the subsequent success of economic policy. "We are very happy with what we did in the 1970s," Mr Kullberg reports.

This policy was not monetarist, as that word is usually understood, but since then, and perhaps especially under Mr Kullberg, the bank has become increasingly monetarist in its approach.

The bank used to try to operate a counter-cyclical monetary policy, but has found that it is not really possible and has given up the attempt, said Mr Kullberg.

"Monetary policy should never be easy. It should always be rather hard in order to keep the banks in your hands all the time. It is dangerous to ease policy, Even when business is slack.

"The Central Bank is the only institution which is really interested in fighting inflation—and we have found that it is best always to fight inflation. Employment policy is up to the government," he observes.

But this is not the commitment to monetarist orthodoxy which it might seem at first sight. "It is unreasonable to go for zero inflation when wage settlements are what they are," the governor notes. Thus money supply (the narrow definition M1) increased by about 11 per cent and bank advances by 13 per cent last year.

Capital taxes hinder growth

Stock Market

HILARY BARNES

AFTER a period of almost complete stagnation between 1973 and 1980, the Finnish share market has come to life in the past couple of years, although it is still small and primitive and its growth continues to be hindered by the Finnish system of capital taxes — and perhaps to some extent as well by the obscurity of Finnish corporate financial statements.

The stimulus to the market came from both domestic and foreign factors, which contributed to a 38 per cent increase in share prices in 1982, an increase of 42 per cent in 1983 and a further increase in the first months of 1984.

The number of Finns owning shares has increased over two years from about 250,000 to almost a half million, which is explained by a substantial increase in the amount of dividends which can be earned and remain tax-exempt. The current limit is FM 1,900, which for a family of four adds up to a useful FM 7,200.

A substantial foreign interest in Finland has emerged as well, partly because investors noted that price-earnings ratios for Finnish shares were low and there was a useful profit to be made by those who jumped into the market first and brought the ratio closer to the international average level.

In 1981, foreign investors placed about FM 60m-70m in Finnish shares, according to Mr Tapio Niemi, securities manager at Kansallis-Osake-Pankki. In 1983 the figure was FM 544m.

This included share issues in Stockholm by Kone, Wärtsilä and Nokia, a FM 165m private placement by Finnish Sugar and a FM 101m issue in New York by Instrumentarium, the fast-growing medical equipment company.

The 1983 figure will easily be exceeded this year. Wärtsilä has just placed FM 200m in London. Amer Tupakka (tobacco and other products), with a FM 90m issue, insurance company Pohola, FM 300m, and Union Bank, which could raise up to FM 400m, are among the other companies making issues abroad this year.

If the Government, as expected, raises the current legal limit of 20 per cent on the share capital which may be held by foreigners to 40 per cent, the issue of Finnish paper could increase rapidly again over the next few years.

With only 48 companies listed on the Helsinki Bourse, the market is thin, which is a discouraging factor for foreign investors. But, said Mr Niemi, for investors to be scared off by the lack of liquidity in the market is to approach the problem from the wrong end. "We can't have liquidity to start with. We have to create the market first," he said.

A crucial factor limiting the growth of the market is the wealth tax system, for purposes of which the shares of listed companies are valued at market price, while the shares of non-quoted companies are valued at what is probably about 30 per cent of market value. This is seriously inhibiting — in many cases prohibiting — for bourse flotation by the many family-owned companies.

FINLAND 4

Here and on the next pages correspondents examine a number of Finland's major industries

FINNISH INDUSTRY was a late developer, but it has rapidly made up for lost time and succeeded in clearly outpacing the growth in most other industrialised countries.

The growth rate of Finnish industrial production averaged 3.5 per cent during the 10 years to 1983 compared with an OECD average of 2.2 per cent and its international performance in terms of the growth of productivity and profitability has been equally impressive.

In contrast to most other Western industrial countries, Finnish industry's contribution to the gross domestic product has continued to increase and industrial employment has grown.

About half of manufacturing output is exported and the development of Finnish industry is highly dependent on foreign trade and changes in international demand. During the last 10-15 years Finland's export trade has concentrated on products and markets where growth has been slower than the average for the world market, but despite this the country has expanded its market shares, allowing a still-rapid rise in exports.

The manufacturing sector has undergone profound structural change with a shift away from the forest-based industries towards metal and engineering industries. The mechanical engineering industry is currently the largest industrial branch in terms of both value-added and the number of employees. The metal and engineering branch provides 31 per cent of value-added and the forest industry 24 per cent, but the forest industry's export performance is still dominant.

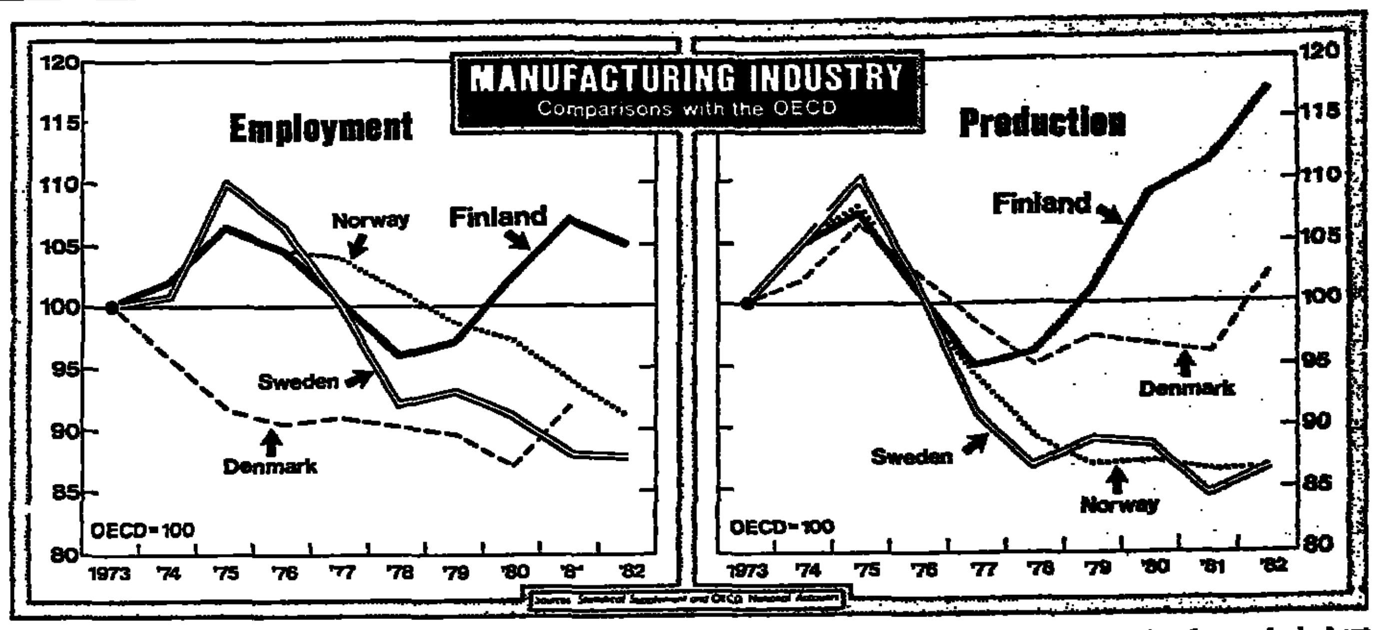
A process of specialisation has helped industries such as shipbuilding, steel and textiles to avoid some of the most severe problems evident in many other countries. Finnish industry has developed particular expertise in sectors such as forest machinery, metallurgy and mining machinery, fashion clothes and textiles and special vessels such as ice-breakers and cruise vessels.

Finland's industry is still labour-intensive by international standards, but it has doubled its investment per industrial employee since 1960. Its belated industrialisation and the massive basic investment programme that this process has required means that the country's stock of machinery and equipment is still exceptionally young.

For the future, increasing funds will have to be devoted to investment in research and development, an area in which Finland still lags considerably behind its international competitors.

Basic industries have played a big role in the development of Finland's industry, but more and more the country is undergoing the transition from such increasingly capital-intensive operations to more highly-processed products.

As part of the process of structural change Finnish industry is also riding a wave of internationalisation. To ensure competitiveness and above all to improve market position Finnish companies are increasingly establishing marketing and production units abroad.



Steady flow of Russian orders

Shipbuilding

ANDREW FISHER

IN AN INDUSTRY racked by crisis for several years, Finnish shipyards have fared better than most in Europe. They have survived by producing a range of ships which includes types less subject to stiff Far Eastern competition than standard cargo vessels, and so built an enviable niche in the world industry.

A steady flow of Russian orders is one major reason for Finland's success in shipbuilding. Indeed, the latest spate of Soviet orders totalling some FM 2.8bn (nearly £350m) has proved timely for some yards with thinning order books.

Ice-strengthened vessels and special ice-breakers are one of the mainstays of the Finnish industry, with the Soviet Union the main customer. The orders are placed as part of the five-year Soviet plans — the latest anticipate the next one starting in 1986 — and ensure a steady flow of revenues over several years.

Cruise ships are the other vessel for which Finnish yards, especially that of Wartsila in Helsinki, are well known. This autumn Wartsila will deliver the $150m Royal Princess to P & O Cruises as the latest in a long line of cruise vessels built for affluent Western, mostly U.S., holidaymakers.

Cruise ships come in all sizes and prices. Even more luxurious than the Royal Princess will be, though a good deal smaller, is the Sea Goddess, recently completed at a cost of $34m for Norske Cruise. The company is also having a second ship built by Wartsila.

The Sea Goddess is more like a big luxury yacht than a conventional cruise ship, and the idea of building and selling it for "intimate" cruises is a new one for the industry. It remains to be seen how well the idea will catch on, though the first of the two vessels has been heavily booked for this year.

Wartsila, which has staked a big claim in the future of the cruise ship industry, reckons there is plenty of potential for future orders. But there are rival yards in Scandinavia, France, West Germany and elsewhere which are keen to obtain such business.

With its cruise and ice-strengthened vessels, Wartsila is building right at the most specialised end of the world market. A nuclear-powered ice-breaker could well be part of the next batch of Soviet orders, though the power plant would be installed in the Soviet Union.

A large number of Wartsila's orders are for prototypes. It has just won an order for an advanced ice-breaker for use by the Finnish Board of Navigation. The new P & O cruise ship, to operate mainly from the U.S. West Coast, will be the first to have all its cabins facing the water.

The success in building cruise vessels extends to passenger ferries as well. The sight in Helsinki harbour, with its low skyline, of the massive ships which ply to Sweden and Germany is awesome, especially when the water is covered with broken ice in winter.

But for all its success in shipbuilding and its high world reputation, Wartsila is keen to expand its existing interests in paper machinery, diesels, ceramics, and locks and security devices. It has just raised £25m on the London stock market and is looking for new international sales markets.

The company recognises that shipbuilding is not the most promising of industries to be in these days, even though its high level of specialisation protects it from many of the ravages of the market.

Last year, it even accepted an order for two ferries for a domestic shipowner at a lower than usual price to stop them from going to the Japanese. At a time of tough world shipbuilding markets, it is determined to protect its stake.

The industry employs about 17,000 people in Finland, about 1,000 fewer than at the start of 1983. Apart from Wartsila, the other main yards are owned by Valmet and Rauma-Repola.

It is the latter two which have obtained the largest Soviet orders this spring, though Wartsila undoubtedly will secure more over the next year or so. Valmet's orders in April from Sudoimport, the Soviet foreign trade organisation, for five multi-purpose cargo ships for Arctic use, was worth FM 1.5bn and was its biggest ever single order.

Rauma-Repola won a near FM 1bn contract from Russia to build nine ships — five small oil product tankers for Arctic use, two salvage tugs, and two special ships for sea-bed charting. Wartsila's order was for two Siberian river dredgers worth FM 300m.

Work on the Rauma-Repola ships alone will require 1,600 man-years, the company said. But it made clear that it still urgently needed new orders to secure longer-term employment at its yards.

The Finnish shipbuilding order book was worth about FM 9bn at the end of the first quarter of this year, during which eight ships totalling 85,000 gross registered tons had been delivered and three totalling 45,000 tons had been ordered.

The subsequent Soviet and other orders — Valmet won a contract for FM 280m to build a ferry for a Finnish operator — have filled up much of the capacity at the yards. But the more sophisticated the ships, the more planning and preparation is involved. Thus work on some of the Soviet ships will not start until autumn. Even in its own well developed and specialised niche, Finland's shipbuilding industry has its problems.

The Valmet yard in Helsinki. Finland's expertise in building specialist ships has helped to keep its yards in work

PROFILE: NESTE

Spree of new acquisitions

NESTE, FINLAND'S national oil company and the country's largest industrial corporation in terms of turnover, has embarked on a spree of foreign and domestic acquisitions to improve its market position and reduce its dependence on the shrinking domestic oil market.

Its biggest purchase to date was completed a few weeks ago with the takeover of Unifos, the Swedish polyethylene producer, from its joint owners KemaNobel, the Swedish chemicals group and Union Carbide of the U.S. The deal, thought to have cost Neste about FM 500m, will make it one of the largest polyethylene producers in Europe with an annual production capacity of about 600,000 tonnes.

Through the acquisition it will enter two new sectors of the plastic materials market —high-density and linear low polyethylene—and it has clearly become the dominant producer of plastics in the Nordic region with interests too in PVC and polystyrene production.

With the purchase of a number of smaller companies in both Finland and Sweden, Neste has also been gradually widening its interests in plastics processing. It has bought up a Finnish polystyrene producer and also the Swedish company Beolit Plast, which uses polystyrene as a raw material in the manufacture of insulating materials.

Although much of the recent acquisition activity has been in the chemicals sector, which last year had sales of FM 1.6bn, these operations are still dwarfed by Neste's oil activities.

The company, founded in 1948, was built up around oil refining. It still has by far the biggest refinery capacity in northern Europe — 12m tonnes a year—but in recent years developments in the world oil market have forced it to seek to expand into a more traditionally organised integrated oil group with interests in all stages, from exploration and production to distribution and trading.

Jump

Neste group sales last year totalled FM 23.7bn compared with FM 17.5bn in 1982, but the big jump chiefly reflects the group's move into international oil trading in both crude oil and oil products. It has established new trading operations in both London and New York and the company's involvement in trading and exchange deals jumped to FM 6.4bn in 1983 from only FM 2.2bn a year earlier.

Neste is Finland's only refiner of crude oil and as such plays a central role in the country's bilateral trade with the Soviet Union. About 85 per cent of the USSR's exports to Finland consist of energy and the lion's share of this comes in the form of crude oil. Last year Neste imported 9.6m tonnes of crude oil for its own refining processes of which fully 85 per cent came from the Soviet Union.

In addition it has been trading since 1982 1-1.5m tonnes of "third-party" crude a year for the Soviet Union. The crude oil, chiefly from Libya, has been sold on to Neste by the USSR to help balance its high level of payments for Finnish imports.

Neste also handles natural gas imports from the Soviet Union and it is currently involved in the early stages of a FM 900m project aimed at increasing imports of Soviet natural gas from the present level of 800m cubic metres a year to about 2.5bn cubic metres a year by the end of the 1990s.

Neste has its main operations in oil and chemicals and related shipping activities, but it has also been expanding its less well-known involvement in the manufacture of batteries. Through a series of acquisitions it now has production plants in five countries, Finland, Denmark, Sweden, Austria and Greece.

Its latest purchase, of Lyac in Denmark, is seen as an essential step in safeguarding its position as Scandinavian's leading manufacturer of lead accumulators.

A struggle to escape clutches of recession

Engineering

DAVID BROWN

FINLAND'S metal and engineering industry, which has become the economy's single largest industrial sector by quadrupling its production volume since 1960, is now struggling to lift itself out of a recession.

Domestic and foreign order books have been thin, capacity utilisation is low, and production and investment is flat.

Demand is expected to rise only slowly this year.

About half of total production — or FMk 25bn last year — was sold abroad. The metal and engineering sector accounts for some 36 per cent of Finland's total exports, and employs 35 per cent of its workforce, or 200,000 people.

Sales to the Eastern bloc — consisting mainly of ships and heavy engineering to the Soviet Union — make up an important but fluctuating part of the total. Deliveries can be expected to decline sharply this year from a 42 per cent to a 33 per cent share of total exports.

At the same time, the industry forecasts export volume to Western Europe (excluding ships) will advance by some 13 per cent this year and perhaps 18 per cent in 1985. In price terms, the total increase would be to FMk 28bn this year, and to FMk 30bn in 1985. Strong hopes are pinned on Sweden, which is the industry's single largest Western export market, and where industrial investment is expected to pick up much faster this year.

Beside ships, the biggest export sectors include forest, agricultural and other machinery (FMk 5.7bn), metals (FMk 5bn), and electrical engineering products including electronics and telecommunications equipment (FMk 3bn).

Over the past two decades, some 30 per cent of the world's total forest machinery deliveries have come from Finland, where many producers also have close links with or are directly involved in forest products exports.

The leading group for pulp and paper machinery is TVW (for Tampella, Valmet and Wartsila), formed as a joint stock venture by the three individual companies in 1976 to coordinate production and marketing.

Tampella specialises in board machines, groundwood plants and equipment for stock preparation. Valmet covers paper machines, pulp washers and dryers, and process control equipment. Wartsila's strength is in finishing equipment including coaters, calendars and winders.

Demand for machinery has been sluggish, but industry leaders see more promising times ahead. "We expect the higher profits and production in paper mills to result in new investments starting late this year and gathering pace in 1985," says Mr Otto Freund, director on TVW.

Valmet has acquired a controlling interest in Dominion Engineering Works in Canada, while Wartsila has taken over the U.S.-based Appleton Machine Company.

A. Ahlström, a major forest group outside the TVW pact, specialises in fine paper machines and in specialised process engineering equipment for the forest sector. Sales were FMk 4.1bn last fear.

In passenger cars, Valmet is producing and marketing a range of vehicles bearing the Saab Scania and Talbot badges under a highly-successful and expanding 50-50 joint venture. The group has announced it will soon expand production from the present 35,000 units to 40,000, and will produce the Cabriolet version of the popular Turbo model which was recently shown in Frankfurt.

Another highly successful specialty area is agricultural tractors and harvesters. Valmet (which is a state-owned company) is now producing tractors on its own after many years of joint production with Volvo. A year after introduction of the latest-generation "nordic tractor" — which is still marketed under the name Volvo-Valmet in Scandinavia—1983 sales reached 5,500 units. Production is expected to expand 40 per cent this year, officials say, and will ultimately peak at 8,500 units.

Valmet's Brazilian manufacturing subsidiary has become the second-largest tractor maker in the South American market.

Rosenlew, with net sales of FMk 1.1bn — has emerged as another major Scandinavian maker of agricultural machinery with a special combine harvester designed for northern conditions. Through a new agreement with Massey-Ferguson, it will boost its annual production from 1,900 to 2,400 units this year, the company says.

Tamrock, the manufacturer of hydraulic rock drilling and construction equipment, has been severely hit by the recession in its major markets, as was its Swedish competitor Atlas Copco. The group, which started with sales of FMk 5m in 1960, had a turnover of FMk 357m last year.

In spite of the recession, Kone, a leading maker of lifts and materials handling equipment, managed to increase both sales (FMk 3.9bn) and profits last year through forceful acquisitions policy. It is one of three Finnish companies listed on the Stockholm stock exchange (the other two are Wartsila and Nokia).

The outlook for mining is more problematic—particularly in non-ferrous metals (mainly copper) where a number of mines will be shut down and where domestic deposits are expected to run out by the end of the decade.

World sales for turnkey projects

Construction exports

ANDREW FISHER

CONSTRUCTION EXPORTS are not listed in any official trade statistics. This is quite natural as they involve so many different products and intangibles. The same applies to the consulting branch between which and construction the lines are blurred. Yet both these branches of industry rack up pretty impressive figures for a country of only 4.8m inhabitants.

Perhaps the best term for this sector of foreign trade is project exports. According to the Association of General Contractors of Finland (AGCF), invoicing of foreign projects totalled $800m in 1983. The Finnish Association of Consulting Firms (SKOL) reports that its members' export billings totalled FM 460m (about $82m) in 1983.

The member companies of AGCF had about 55 foreign projects under work in 1983, valued in total at about $2bn. In January 1984, some 3,500 Finns were working on these projects, spread from Narvik in the northern reaches of the Soviet Union to Mtwara-Lindi in Tanzania and Pha Rungk in Vietnam.

Industrial plants, increasingly as turnkey deliveries, account for a half of the current projects, commercial and public buildings for a quarter and the rest comprise civil engineering, water supply, waste water treatment and housing.

Roughly two-thirds of AGCF exports went to the Soviet Union in 1983, and a quarter to the Arab countries. Surprisingly, there were three projects in Sweden and two in Norway, but these were relatively small contracts. A hollow core slab factory was completed by Partek Oy in Singapore and an element factory is under construction by Hartela in Kuala Lumpur.

The dominance of the Soviet Union in the export list is hardly surprising. It is a neighbouring country, and the Finns have even been able to use their own labour on the projects that are just across the eastern border, which has proved a boon in these times of high unemployment in the home country.

Invoicing of the Soviet projects totalled FM 27.5bn in 1983. Total value of the projects in progress there was FM 6.7bn. The biggest is the Kostamus project, the building of a mining complex and complete town for 15,000 people in the virgin wilds of the Soviet Union just across the north-eastern border of Finland. This is being managed by Finn-Stroi, a consortium of 15 companies. It is also managing the Svetogorsky project, a pulp and paper mill complex just across the south-eastern frontier, worth FM 700m in 1983.

The newest contracts won in the Soviet Union are the two harbour projects in Tallinn, Estonia, by the Portal Group (a consortium of four companies) and EKE Engineers. The former will build the grain harbour, a contract valued at FM 460m, and the latter the meat and fruit terminal valued at FM 250m. These contracts were won against very strong competition from a Swedish group.

Looking ahead, the Finns have a list of some 200 projects in the Soviet Union, worth FM 50bn, which are at the initial discussion phase.

Invoicing for projects in the African countries totalled FM 770m in 1983: the contracts are valued at FM 2bn. Libya is the leading buyer, followed by Egypt. Billings in the Middle East countries came to FM 500m and the contract total was FM 1.1bn.

Project exports worldwide actually declined by 13 per cent in 1983, and this trend will continue in the current year, and then perhaps stabilise in 1985.

Wide range of quality exports

"VISITORS ARE sometimes surprised to discover that we have an electronics industry at this latitude," observes an executive at Nokia, Finland's largest privately-owned company.

Among the 50 or so companies which are members of the Finnish association of electrical and electronic industries are Salora, which produces some of the most advanced television sets on sale in Europe today; Mobira, the Nordic market leader in mobile telephones (and this is a field in which the Nordics are ahead of the rest of the world); Vaisala, which has carved out a niche for itself as a leading producer of meteorological measuring instruments; and A. Ahlstrom, and the state-owned Valmet, well-known companies in the field of automatic process control equipment for the forest industries.

With its highly developed infra-structure, a stable and well-educated labour force, Finland is, in fact, a fertile area for the development of an electronics industry.

Its relatively high labour costs are no drawback, either. The labour input in high-tech electronics is now so small that labour costs are not a factor having a major effect on competition, Nokia Electronic's vice-president Heikki Keränen says.

The electro-technical industries account for about 12 per cent of the exports of the metals and engineering industry (which in turn accounts for 36 per cent of total merchandise exports) and about 18 per cent of the value-added in the engineering industry. It employs about 34,000 people who were responsible last year for output valued gross at about FM 7.5bn.

Over the past year or two, the electronics industry has become increasingly identified with Nokia, which in addition to its own long-standing involvement in the cables and electrical engineering business acquired the majority shareholding in Mobira in 1982, and in Salora, with effect from the beginning of this year. The deal with Salora was part of a package which included Nokia's acquisition of the Swedish television and small computer manufacturer, Luxor.

Electronics

HILARY BARNES

These acquisitions will increase Nokia's turnover in electronics from about FM 1.4bn last year to FM 3.6bn in 1984, making Nokia the second largest producer of electronic products in the Nordic area after L. M. Ericsson, of Sweden.

Nokia, with a forecast 1984 turnover of about FM 9.9bn in operations ranging from cables and electronics to the forest industries, engineering, rubber, chemicals and plastics, moved the electronics division to the top of its organisation chart in the 1983 annual report to emphasise that this is now the biggest and fastest growing division.

Nokia's electronics production spans a wide range, from industrial process control equipment to digital transmission and switching equipment, office information systems, point-of-sale systems and computers to television sets and mobile phones.

Among Nokia's strengths are its terminals, which it supplies to many of the best-known names in computer manufacturing, and modems (for conversion of digitalised data to voice and vice-versa), with at least half a dozen European countries using them in the public telephone systems.

In April Nokia Data and Northern Telecom announced an agreement to co-operate by which Nokia terminals and personal computers will be used in Northern Telecom office systems marketed in Europe, another feather in Nokia's hat.

Despite the diversity of Nokia's production, the aim is specialisation. Nokia modems compete in a narrow field, which is too small for the biggest manufacturers to take much interest. Nokia PCs will be used chiefly for achieving specialist solutions and not for developing volume sale.

The same applies at Salora. "We try to produce a single good product. We use a rifle, not a shot-gun, in our marketing strategy," says managing director Antti Lagerroos.

"We always use the newest technology," he adds. In the case of Salora's best-known product, its colour television sets, this means that they are equipped for satellite reception, and computer link-up. They also have stereo sound (in markets where this is applicable) and a Salora-patented system which give them the lowest energy consumption of any sets anywhere. They also have a high-focus tube which automatically adjusts to the light conditions in the room—the latitude not withstanding.

Intensive effort and rapid advances

NOKIA, the fast-growing Finnish engineering group, is planning to move its headquarters a few miles from the centre of Helsinki. It has given one engineer responsibility for designing an "information paradise;" an electronic nerve-centre for the 27,000 employee group, Finland's second-biggest company after Neste, the state-owned oil company.

The technology, moreover, will be Finnish. Last autumn Nokia began to distribute *personal computers of its own design* to company executives. A digital switching technology called the DS 200, developed by Telenokia, will knit the communications together.

Finland already claims to have one of the most highly digitised telephone systems in the world. Mr Timo Koski, vice-president of Nokia Electronics, believes that the company can *go far towards reconciling the traditional Finnish love for the countryside with the day-to-day needs of an international engineering group*, by using electronics to unify a highly distributed effort.

He points to the way his own company has been able to locate the all-important development of computer software as far away as Oulu, in the north-west.

Mr Koski, a Finn who has recently been wooed back to his homeland from Siemens in West Germany to play a key role in Nokia's own transition from a highly diversified industrial group to one strongly identified with advanced electronics, says foreigners find it hard to believe that Finland has advanced-technology products such as the personal computer.

Yet the company has just signed a contract with the Canadian electronics group, Northern Telecom, which will double its production by opening the North American market. It expects to make 10,000-15,000 microcomputers this year.

Finns are proud of the speed with which they are transforming an agricultural economy, badly run-down after the second world war, into an industrial economy competitive in world markets.

They also point out that, unlike other developing nations, *they have enjoyed* neither international aid nor significant state aid other than loans.

They point to the two new nuclear reactors at Loviisa which, despite the prominence with which the USSR proclaims its involvement, were joint ventures with the Finns supplying vital control, safety and training features while their partners focused on the heavy engineering.

High technology

DAVID FISHLOCK

Ahlstrom, another diversified Finnish engineering group with roots—like Nokia—in forest products, is making an international impact as market leader in the technology of fluidised-bed combustion for steam-raising. It developed its Pyroflow technology to consume low-grade fuels such as peat and forest wastes in a country woe*fully short of indigenous* energy.

So successful has it proved in its own and other Finnish factories, Ahlstrom executives say, they are preparing to pitch at those markets with the most exacting standards on power-plant emission control, such as North America, and for such fuels as high-sulphur coals and cokes.

They have recently set up a subsidiary, Pyropower, in California, to develop and market fluidised-bed combustion in competition with U.S. and West German boilermakers.

No coherent research and development base can be credited with this rapid national advance into industry, although the State Research Centre has often played some part. The R and D has been done as private initiative.

Nokia itself, largely as a result of the acquisitions which have transformed it into a group with one-third of its activity in electronics, claims to do 15 per cent of Finland's industrial R and D. Yet it has no-one at main board level *responsible for R and D or for technical policy*, and no central research activity.

Most of the Nokia divisions are headed by men with a technical background, however. Mr Lauri Melamies, as research director for Telenokia, formerly a failing state-owned telephone switching company until bought by Nokia, reports directly to an engineer as his divisional head.

Mr Melamies believes that the most important way in which Finnish industry can keep in touch with the academic base of the country is by bringing students to work in its laboratories, for example in preparation for a higher degree.

Finland's labour laws make it almost impossible to recruit overseas, except from Nordic nations, where they are in competition with Swedish groups such as Ericsson expanding their Finnish subsidiaries.

Increasingly, the Finns are adopting the same tactics, of setting up subsidiaries where the skill is more plentiful, for example in Britain in the case of computer software.

PROFILE: KONE CORPORATION

Family-owned company continues to turn in a profit

KONE CORPORATION comprising the parent company Kone Oy and more than 50 per cent owned subsidiaries, is possibly the only true Finnish multi-national corporation according to any of the generally applied criteria. It is listed on both the Helsinki and Stockholm stock exchanges. Yet it is still a family-owned company. The Herlin family have over 70 per cent of the share stock.

In 1918, Kone produced five lifts and four cranes; in 1983, Kone's lifts group booked net sales of FM 1.91bn ($327.5m), 48.7 per cent of the corporation's turnover. Sales of the materials handling equipment group, which includes cranes, came to FM 1.04bn ($178.3m). These are the two biggest groups in Kone Corporation.

Relative newcomers are the marine technology (cargo access equipment, ramps, hatch covers, gates and car decks) and the instruments (clinical laboratory computerised systems, chemical analysers and monitoring systems) groups, with turnovers of $119.3m and $27.1m, respectively. An "other products" group had net sales totalling $21m.

Kone Corporation apparently has no use for red ink. Through depressions and recessions it continues to turn in a profit. The 1983 result was net earnings of FM 160m on a turnover of FM 3.93bn.

The corporation's multinational status can be seen from the fact that its sales in Finland totalled only FM 652.3m, while sales outside the home country came to FM 3.28bn. Its payroll total in 1983 was 13,390, of which only 4,710 were employed in Finland.

Mr Pekka Herlin, Kone's president and chief executive, a farmer by choice but one of Finland's most prominent businessmen by family tradition, states in his foreword to the 1983 annual report: "A hidebound and hesitant attitude to the adoption of the latest methods of operation and technological advance in the world we live in can only prove fatal."

For Kone, acquisitions have long been an integral part of corporate growth strategy. It has acquired production plants in Austria, Belgium, Brazil, Britain, Finland, France, West Germany, Norway, Sweden and, most recently, the U.S. In all, it has 18 subsidiaries and eight joint ventures or minority interests, plus 12 regional offices in 35 countries worldwide.

Lately, it has been focusing on the American market. Last year, it took over MacGregor Holding S.A., a leading worldwide group in the marine cargo access equipment sector. This and the acquisition of two other American companies almost doubled the U.S. share of the company's operations in 1983.

Burdick Corporation in Wisconsin, which manufacturers and markets health care equipment, was merged with Kone. At the end of 1983, Kone bought the materials handling division of Robbins and Myers in Ohio. These and other acquisitions accounted for about a half of the 23.7 per cent increase in Kone Corporation's sales in 1983.

Pressures on price but supply assured

"THE MORE important exports are to a nation's forest industry, the more sensitive it will be to outside changes," says Mr Pantti Salmi, president of Enso-Gutzeit, Finland's largest forest products company.

Nearly 38 per cent of Finland's exports are generated by the forest industry. Perhaps the biggest outside force was Sweden's 16 per cent devaluation in late 1982 which put Finnish producers at an immediate disadvantage on price.

Another longer-term influence is the emergence of new producing countries on the world market. Finland's share of the total market has declined by a quarter to 9 per cent over the last 20 years.

The volume of exports last year rose only 6.2 per cent. The total value of forest product exports advanced 11.3 per cent. Price pressure was intense on many Finnish products but better rates of capacity utilisation and efficiency improvements yielded generally higher industry profits after a poor year in 1982.

Today's market outlook has several bright spots. Demand has picked up in the U.S. and (more slowly) in Western Europe. Forest products have now been included in tariff-free trade with the EEC. Much will now depend on the vigour of Western Europe's economic recovery.

Some 65 per cent of exports are directed at Europe, with the two biggest markets being the UK with 19 per cent and West Germany with 13 per cent. Deliveries to the Soviet Union last year were 15 per cent of the total (down from 18 per cent in 1982), and 7.2 per cent went to Asian countries.

The priority for Finnish producers now is to hold down domestic inflation and bolster international competitiveness. A low central wage agreement for 1984 has been an important step in this direction.

Also important will be for the producers to achieve a moderate deal on timber prices — a major cost factor. Some 64 per cent of the country's forest resources are in private hands.

The long-term supply picture is also positive. Finnish forest management has been thorough.

The annual growth increment has been successively increased from 55m cubic meters 20 years ago to about 64m cubic meters today. The product mix has a higher percentage of more valuable coniferous trees.

Last year demand for sawn goods (which make up 15 per cent of the export total) revived after two poor years. Production advanced to 9.3m tonnes, but is still short of the peak 1980 levels. Officials say production will stabilise this year, but price increases of up to 9 per cent might be possible.

Forest products

DAVID BROWN

Pulp products (13 per cent of exports) lost market shares to Sweden last year, but total production advanced slightly to 7.1m tonnes. Market pulp deliveries were 1.9m tonnes, and producers see increases of some 8 per cent in volume this year and 18 per cent in prices as the dollar level on the market closes on the earlier peak of $540 a tonne.

Paper and board production (which now accounts for 53 per cent of total exports) advanced last year to about 6.4m tonnes. Owing to high over-capacity in the newsprint sector, demand will probably remain poor this year, analysts say. Capacity utilisation is running at only 80 per cent. In other grades, the rate is far higher, and producers are forecasting increases of as much as 12 per cent in volume terms and perhaps 5 to 6 per cent in prices this year.

The share of pulp, and of upgraded paper and board products in the total product mix has advanced steadily over the past 25 years. Companies have moved to boost the level of conversion both at home and abroad, and a cycle of new investments in new machinery has given high levels of efficiency.

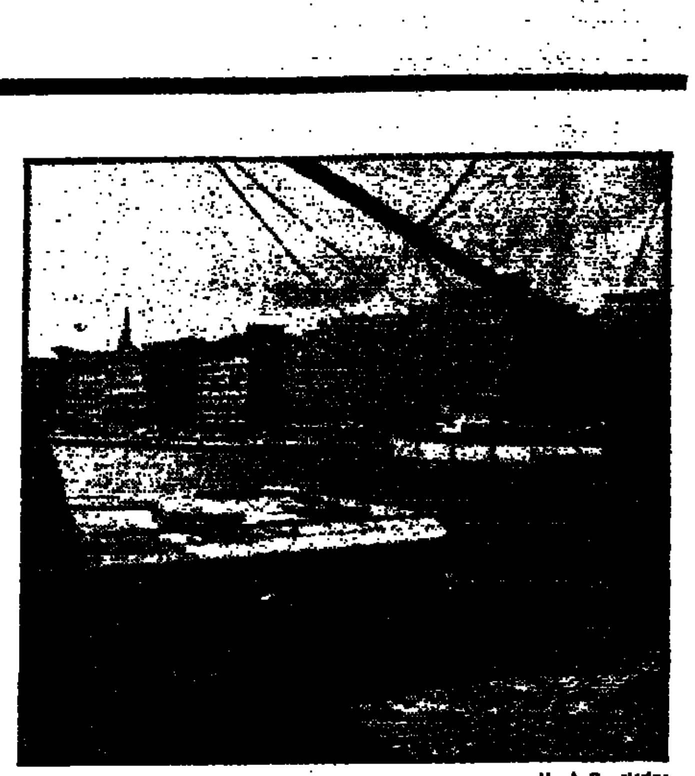
During the heavy investment period between 1980-83, nine new paper machines increased total production capacity by some 1.2m tonnes in newsprint, coated and uncoated printing paper, and fine paper grades.

Most of the current spending involves modernisation of existing machinery. However, there is a danger of falling behind Sweden in pulp plant modernisation, and industry analysts say extensive investments in new plant will be needed by the end of the decade.

"Very few companies will be able to manage this kind of financing," Mr Salmi says. "I think we'll begin to see more mergers in the coming years."

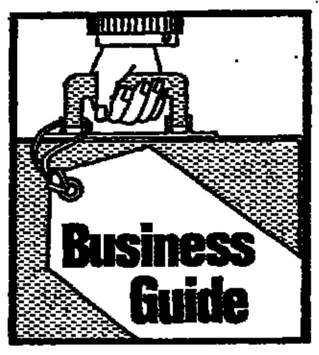
This trend towards higher value-added will be supplemented by a growing internationalisation of marketing and conversion activities, analysts say.

Management of Finland's extensive forests has been thorough with a raised percentage of the more valuable coniferous trees



Hugh Routledge

Harbourside scene in Helsinki



THE FINNISH Government offers no special incentives to foreign companies establishing in Finland. They are treated on the same basis as domestic companies, and this is generous for the development areas which cover two-thirds of this thinly-populated country. There are some bureaucratic rules, but these are usually leniently applied.

The real fact of the matter is that the Finns are now more interested in establishing abroad, most recently in the U.S., than encouraging foreign establishment in Finland. Nevertheless, in certain sectors, especially project exports, they are keenly interested in finding in the industrialised Western countries third country partners for construction, contracting and other projects in the developing countries.

Trade rather than establishment has become the name of the game. Apart from exceptional cases, Finland is not a bouncing off place for trade with the Soviet Union, the Finns have enough trouble balancing their own trade with their Eastern neighbour. But they do know the Soviet market well, and it is possible that useful links to Moscow can be forged through a Finnish company.

One or two hints might be in order for foreign businessmen visiting Finland:

Always make appointments in advance. Avoid two feasts unless you are specifically invited to them — Midsummer Weekend (Friday to Sunday) and Walpurgis (April 30 to May 1).

Always carry visiting cards, the Finns do, and it is important because of their difficult names.

The business lunch hour is strictly 12.00-14.00, and dinner is a moveable feast.

If it is offered, try the sauna —this very hot steam bath smooths out many wrinkles and is remarkably refreshing.

USEFUL ADDRESSES:

Confederation of Finnish Industries. Etelaranta 10, Helsinki. Tel: 18691.

Finnish Foreign Trade Association. Arkadiankatu 4—6B, Helsinki. Tel: 69591.

British Embassy. Uudenmaankatu 16—20, Helsinki. Tel: 647922.

Hotellikeskus (central booking office for hotel rooms). Helsingin Matkailyhdys, Rautatieasema, Helsinki. Tel: 171133.

Pace of diversification continues

Sugar production

DAVID FISHLOCK

AFTER 200 years of sugar production in Finland, Finnish Sugar, a private company formed from six small sugar mills in 1918, found it had virtually saturated the domestic market by the 1960s.

Mr Gustav von Hertzen, a chemical engineer who runs the company as president and chairman, then led a diversification programme seeking fresh markets for a company modest in world sugar terms.

This programme has doubled the payroll of Finnish Sugar, and given it four main activities today. All can be said to be biotechnologies aimed at the food and animal feed markets.

The bedrock is still sugar, up to 250,000 tonnes a year, meeting 85-90 per cent of the home market. Its price is much higher than world market prices to protect the domestic sugar beet industry, accounting for half the feedstock. Price is controlled by statutory regulations and supervised by the government.

Acquisitions have built up the animal feeds business to a size similar to sugar, so that the two divisions account for two-thirds of the company's income. But with raw materials accounting for 80 per cent of sales, profit margins from feeds are narrow and domestic growth has been depressed by good harvests recently.

Food, although only half the size of feeds, is growing strongly. It produces 15 per cent of the world demand for crisp bread, for instance, and through Kelloggs has more than two-thirds of the domestic market for breakfast cereals.

But the innovative part of Mr von Hertzen's diversification programme lies in fine chemicals, small at present but the division showing strongest growth. Its aim is "to find niches in the food-feed-pharmaceutical areas where it can achieve a strong position in the world market."

It grew out of the company's understanding of sucrochemistry, starting in the mid-1970s with a joint venture with Hoffmann-La Roche, called Xyrofin, to make new sweeteners such as crystalline fructrose and xylitol. Today it claims to be market leader for both.

Key to that success, Mr von Hertzen says, is the industrial application of liquid chromatographic separation, pioneered by Finnsugar, and first used to separate fructose from glucose. It employs a column of ion-exchange resin for which the various components of molasses have different affinities. Hence each will travel at a different rate, leaving the column banded into the various fractions.

Finnsugar developed this versatile laboratory technique into a semi-continuous industrial process, on a scale as big as the 17-column separation system used by American Xyrofin, in Illinois to produce 27.5m lb of crystalline fructose a year.

The enzymes needed to support commercial sucrochemistry were a natural target for further diversification.

What is more, enzymes afford the right size of market for a small company looking for new markets with sales of $10m-50m a year, says Mr von Hertzen.

"We can cope with this kind of investment," he adds. "Personally, I feel that the enzyme business is very promising."

He believes a major reason why enzymes have failed so far to make a big commercial impact is that the innovations have come from research, which has lacked good ideas for persuading the very conservative food industry to adopt them.

"You can shoot yourself in the foot very easily," he says, recounting wryly Finnsugar's own troubles in getting Xylitol accepted by the fod industry.

For enzyme development and marketing, Finnsugar has set up another joint venture, in the U.S. with the food group Nabisco, and research based both in the U.S. and Finland. America, he says, is a more encouraging environment for innovation. But the plan is to keep enzyme production in Finland.

There is a bewildering variety of enzymes from which to choose, and a need as he sees it to learn by trading at the same time as producing.

"I've a great respect for the marketplace—it's the cheapest way to do market research," concludes Mr von Hertzen.